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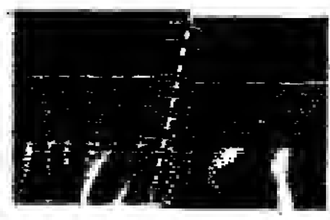

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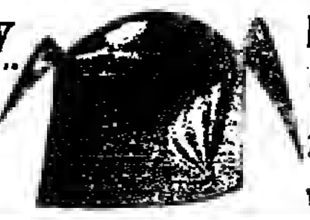

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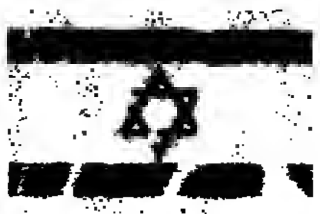

Israel
Time to withdraw from Lebanon?
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http://www.FT.com THURSDAY AUGUST 1 1996

USAir tensions with BA mount over monopoly claim

USAir, which is suing British Airways and American Airlines over their proposed alliance, is pressing for the case to be to be heard by the judge who is presiding over Virgin Atlantic's bitter anti-trust action against BA. USAir's lawyers say there are strong similarities between the cases. They say both involve BA monopolising or conspiring to monopolise ultra-profitable routes between the US and the UK. BA and Virgin recently settled a UK legal action in which Virgin accused BA of several unfair practices. Virgin is to continue with its legal action against BA in the US. Page 11

EasyJet may sue KLM: UK-based low-cost airline EasyJet is considering legal action against Dutch carrier KLM. EasyJet would not reveal the nature of its complaint, but it is believed to concern alleged unfair competition. Page 4

Summit rejects force in Burundi: Warnings by the international community that the Tutsi army's recent coup in Burundi would be met with force appeared to crumble as a summit of regional leaders agreed to apply only economic sanctions on the east African state. Page 4

Paris seeks to increase financial role: Efforts to make Paris a leading financial centre after European monetary union will gather pace today with a call by the French authorities for an early changeover to the single currency. Page 11

Spain pledges not to raise more taxes: The Spanish government has already met revenue needs with this week's sharp rises in duty on cigarettes and alcohol and will not lift taxes again this year, economy minister Cristobal Montoro promised. Page 10

Crédit Lyonnais stake may be sold: The French government is considering the rapid sale of a stake in state-controlled bank Crédit Lyonnais as part of the effort to tackle its continuing financial problems. Page 11

More out of work in France: Unemployment in France rose an unadjusted 0.7 per cent in June to 3.07m, the second consecutive monthly increase, the labour ministry said. Page 2

Turkey attacks inflation: Turkey announced an economic package aiming to raise $10bn to combat soaring inflation. Page 2

KNP predicts paper market upswing: KNP BT, one of Europe's biggest paper and packaging companies, predicted an imminent revival in the depressed paper market, saying there were signs that the low point had been passed. Page 11

China urges US to ease export curbs: Beijing suggested Washington should ease restrictions on exports of high-technology items to China to help narrow the US trade deficit with China, which stood at $34bn last year, according to US figures. Page 4

Weak spending hits Canada's GDP: Canada's gross domestic product grew by a modest 1.4 per cent in real terms in the year to May, with strength in exports offset by weak consumer and public spending, figures show. Page 5

Viacom's profits slip: US entertainment giant Viacom confirmed market fears of a sharp slide in its earnings during the second quarter. It reported profits after-tax of $26m compared with $38m the year before. Page 11

Hong Kong increases assets: Hong Kong's Exchange Fund, the territory's treasure chest, increased its total assets by 5.3 per cent over the first six months of the year to HK$484.9bn (US$62.7bn) at the end of June, the Hong Kong Monetary Authority said. Page 3

More power for stock exchange members: Members of the London Stock Exchange are to regain a bigger say in decision-making as a result of a review of corporate governance that followed the sacking of chief executive Michael Lawrence. Page 6

Irish athlete fails drugs test: Irish runner Marie McMahon failed an Olympics drugs test in Atlanta when traces of an analgesic which can be used as a painkiller were found. She failed to qualify for last Sunday's 5,000-metre final. Olympic reports; Security guard's home searched, Page 5

Greeks close Pravda: Pravda, the Russian newspaper Lenin founded in 1912 as the voice of the Bolshevik revolution, has been closed by the Greek Giannikos family, which acquired a controlling interest in 1992. Page 2

FT.com: the FT web site provides online news, comment and analysis at http://www.FT.com

■ STOCK MARKET INDICES		
New York: lunchtime		
Dow Jones Ind Av	5,522.89	(+41.06)
NASDAQ Composite	1,079.24	(+7.29)
Europe and Far East		
CAC40	1,985.89	(27.40)
DAX	2,473.35	(+15.87)
FT-SE 100	3,703.2	(+34.7)
Nikkei	20,692.83	(-187.50)

■ US LUNCHTIME RATES	
Federal Funds	5¼%
3-mth Treas Bills: Yld	5.301%
Long Bond	97$\frac{3}{16}$
Yield	6.986%

■ OTHER RATES		
UK: 3-mo Interbank	5¾%	(same)
UK: 10 yr Gilt	97$\frac{1}{32}$	(97$\frac{3}{16}$)
France: 10 yr OAT	106.35	(106.28)
Germany: 10 yr Bund	98.88	(98.98)
Japan: 10 yr JGB	97.8968	(97.725)

■ NORTH SEA OIL (Argus)		
Brent Dated	$19.09	(18.83)

■ GOLD		
New York: Comex		
(Aug)	$387.5	(384.4)
London:		
close	$385.35	(384.8)

■ DOLLAR		
New York: lunchtime		
£	1.5563	
DM	1.46945	
FFr	4.987	
SFr	1.1953	
Y	106.475	
London:		
£	1.5571	(1.5564)
DM	1.4728	(1.4774)
FFr	4.9877	(5.013)
SFr	1.197	(1.2029)
Y	106.725	(107.915)

■ STERLING		
DM	2.2933	(2.2993)
Tokyo $ close:	Y 107.96	

Albania	LEK 220	Gibraltar	£0.75	Lithuania	Lis 15.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12
Bahrain	Din1.250	Hong Kong	HK$30	Malta	Lm0.85	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft230	Morocco	MDh18	Slovak Rp	Sk85
Cyprus	C£1.20	Iceland	IKr230	Neth	Fl 4.75	S. Africa	R12.00
Czech Rp	Kc60	India	Rs75	Nigeria	Naira60	Spain	Pta250
Denmark	DKr18	Israel	Shk7.90	Norway	NKr22.00	Sweden	SKr20
Egypt	E£5.00	Italy	L3200	Oman	OR1.50	Switz	SFr3.70
Estonia	EKr 22	Japan	Y500	Pakistan	Rs40	Syria	S£95.00
Finland	FM15.50	Jordan	JD1.50	Poland	Zl 5.50	Tunisia	Din1.750
France	FFr12.00	Kuwait	Fils.650	Portugal (m'land)	Es240	Turkey	L90,000
Germany	DM4.00	Lebanon	LL3,000			UAE	Dh12.00

Japan brands food poisoning outbreak an epidemic

By Michiyo Nakamoto in Tokyo

Japan is to declare that the country's outbreak of food poisoning has become an epidemic, thereby allowing the government to take tougher action to halt the spread of the infection, which has claimed seven lives and left 9,000 ill.

The US government has offered to send medical experts and other assistance to help the Japanese deal with the cases linked to the deadly O157 E Coli bacteria, which first appeared three weeks ago in the western city of Sakai.

"The US government has offered any assistance to the Japanese they would like," the US National Institutes of Health said. A delegation from the institutes is already in Tokyo for discussions with health officials.

The Japanese government's decision follows a recommendation yesterday by its council on public health that legal steps to stem the outbreak should be taken under the Infectious Disease Prevention Law.

Japan's ministry of health and welfare, which admits that the 1897 Infections Disease Prevention Law needs to be reformed, will apply the law only partially. In particular, the ministry will not forcibly isolate affected patients, as stipulated under the original law.

But the designation, expected to be declared early next week, will allow local governments to use central government money to run tests for the bacteria on people who handle food. Infection is spread mainly through food, but also through water and human contact.

Those suspected of carrying the O157 bacteria will be required to undergo medical examinations and doctors will be required to report cases of the poisoning to the public health authorities.

They also must instruct patients and their families on how to disinfect their homes.

The health ministry acknowledged that the designation may not curb the spread of the infection, whose symptoms include abdominal pains, bloody diarrhoea and sometimes kidney failure. But it may help health officials better monitor the spread and be more effective in informing the public.

"It may help and it won't hurt," said Mr Toshiro Matsuura, who heads a ministry panel that recommended the designation.

Japan has designated only two diseases in the past as dangerous infectious diseases - polio in 1959 and Lassa fever in 1976.

Yesterday the city of Sakai, which has been the worst affected area in the country, announced it would set aside a budget of Y114m ($1.06m) to cover the medical bills of those taken ill due to the O157 bacteria. More than 6,300 out of a total 8,700 reported affected people have applied already to the national government for financial assistance.

Japan's city of sadness, Page 4

Clinton opts to support US welfare reform bill

By Patti Waldmeir in Washington

President Bill Clinton said yesterday that he would sign a Republican sponsored welfare reform bill which would bring about the biggest changes in US social policy in 60 years.

Deciding to sign the bill, which will end a decades-old federal guarantee of open-ended assistance to the poor, represents one of the most important strategic choices of the Clinton presidency and will enrage liberals within his own Democratic party.

"Today we have a historic opportunity to make welfare what it was supposed to be - a second chance, not a way of life," the president said of the bill, which is expected to be approved by the Republican-controlled Senate and House of Representatives.

The legislation will change the relationship between Washington and the states, giving state capitals more control over welfare spending. It will limit lifetime welfare assistance to five years per family and require recipients to return to work after two years on benefit.

Mr Clinton said the bill was "far from perfect", singling out provisions such as a ban on welfare benefits to legal immigrants who have not yet become US citizens, and limits on funding for the food stamp programme, which provides food for the poor.

Welfare reform has become an important issue in the run-up to the November elections, with both parties battling for the political credit for tackling the widely unpopular US welfare system, without taking the blame for plunging millions of Americans into poverty. The bill represents the most significant legislative change in the area of social policy of the Clinton presidency, which was launched with a promise of radical social reform in areas such as healthcare, but has so far yielded few sharp changes.

An administration official said Mr Clinton made the decision after a two-hour meeting yesterday with top aides. White House strategists have been debating for weeks whether or not to recommend a signature.

The decision to cast his lot with conservative New Democrats will allow him to fulfil his 1992 campaign promise to "end welfare as we know it".

The move was immediately attacked by the liberal wing of the Democratic party. "My president will boldly throw one million innocent children into poverty. This is a political bill. It should not be passed into law," said Representative Charles Rangel, the New York Democrat.

A signature will allow Mr Clinton once again to dominate an issue previously considered to be a Republican vote-winner. Republicans had long differed over whether their party would gain maximum electoral advantage by forcing the president to veto the bill, or by presenting him with a bill he could sign, and then claiming reform as a Republican victory.

Leading Republicans welcomed Mr Clinton's decision and claimed some credit for the legislation.

"This is a historic moment when we are working together to do something very important for America," Mr Newt Gingrich, the House speaker, said.

A man seeks cover as South African police come under attack from stones thrown by residents at the Tembisa township where 15 commuters were killed in a stampede as security guards using electric cattle prods tried to stop them boarding a train. Report, Page 4 Picture AP

Yen's fall boosts Sony quarterly profits

By Emiko Terazono in Tokyo and Alice Rawsthorn in London

Sony's net profits rose sharply in the first quarter, reflecting the weaker yen and best-selling albums by pop artists Oasis and Mariah Carey.

The Japanese consumer electronics and entertainments group reported a 49 per cent increase in consolidated pre-tax profits to Y43.8bn ($405m) for the three months to June 30 on revenue up 31 per cent at Y1,172.2bn. It forecast a 41 per cent increase in pre-tax profits to Y185bn for the full financial year on sales up 9 per cent to Y5,000bn.

Like other export-oriented Japanese companies, Sony's performance has been hampered by the strength of the yen in recent years. However, its problems were aggravated by a costly diversification into the US film industry, culminating in the decision 18 months ago to write off Y265bn of goodwill in its purchase of the Columbia-Tristar movie studios.

Sony has since reshuffled its senior management. Mr Mickey Schulhof resigned as head of its US interests late last year and Mr Nobukei Idei, president and chief operating officer, assumed his responsibilities. Mr Idei's position was strengthened last month when Mr Norio Ohga, the 66-year-old chairman, was admitted to hospital suffering from overwork.

The chief catalyst for Sony's first-quarter resurgence was the decline of the yen, which fell by 22 per cent against the US dollar compared with the same period last year. The group also benefited from strong growth in all its businesses except films. It had several box office disappointments, notably *The Juror* and *Mary Reilly*.

Despite these flops, the entertainment division mustered a 73 per cent increase in operating income to Y17bn on revenue up 36 per cent. Its performance was buoyed by a licensing agreement

Continued on Page 10

Names make legal challenge to Lloyd's recovery plan

By Ralph Atkins, Insurance Correspondent

A group of Lloyd's of London Names last night launched a high-risk legal challenge to the insurance market's recovery plan in a bid to win extra concessions for those who have met underwriting commitments.

Lloyd's dismissed the last-minute move as not having "the remotest" chance of success. But it signalled a tense few weeks for Lloyd's which must implement the recovery plan this summer to pass regulators' solvency tests.

The intervention coincided with the despatch to 34,000 Names worldwide of nearly 48 tonnes of paperwork setting out the final details of a £3.2bn ($5bn) out-of-court settlement offer which is part of the plan.

Names in Tennessee are being excluded because of US legal obstacles but otherwise Lloyd's has widespread support for the plan from Names, the individuals whose assets have traditionally supported underwriting throughout the world. Yesterday it strengthened its hand further by winning a Court of Appeal ruling in London that damages won by Names in court should be used to repay Lloyd's debts before third parties.

But the decision by the Paying Names' Action Group to seek judicial review of the plan raises the possibility of the market's future again being thrown into doubt. Mr Tony Welford, the action group's chairman, said the objective was "to bring them [Lloyd's] to the negotiating table". The application would be withdrawn if his members were given extra help. But the group's lawyers acknowledged there was "a risk" of the action wrecking the recovery package.

Mr John Abramson, of Warner Cranston, a legal firm, said an application for judicial review would be made "at the earliest opportunity" - probably today.

The application follows the breakdown of negotiations with Mr David Rowland, Lloyd's chairman. The 3,000 Paying Names argue that the insurance market has acted unfairly and beyond its statutory powers. They want extra help for those who continued underwriting, despite heavy losses.

The group's members say they are unfairly disadvantaged compared with Names who refused to pay bills and are having debts written off.

Separately, Lloyd's warned that it might face a delay in declaring the out-of-court settlement offer unconditional after the deadline for acceptances on August 28. This is because the market's funds may be insufficient to cover shortfalls resulting from Names who reject the offer and have to be pursued for outstanding debts.

CONTENTS

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Debate over Stet sell-off

Rome urged to resolve telecom sale

By Andrew Hill in Milan

The Italian government is under pressure to clarify its plans for the sale of Stet, the telecommunications group, in order to raise money quickly for Iri, the heavily indebted state holding company which is Stet's majority shareholder.

A fierce political and financial debate has opened about whether to break up and restructure Stet and its main operating subsidiary, Telecom Italia, before privatisation, or to sell the group in its current form.

The outcome of the debate could affect Rome's relations with Brussels - which is pressing Iri to reduce debt - and the financial markets which have been waiting more than two years for the full privatisation of Stet.

Government officials said yesterday Mr Romano Prodi, Italy's prime minister and a former Iri chairman, might take a decision on how to proceed in the next few days, or in early September.

The sale of Iri's 64 per cent stake in Stet was due to take place this year, but the delay in establishing a regulatory authority for the telecoms sector has held up the operation. Advisers also want to avoid the sale clashing with the privatisation of Deutsche Telekom, scheduled for November, and of France Télécom, due in spring 1997.

The government has tabled a draft law on the establishment of a telecoms authority but it is unlikely to be approved by parliament until autumn.

Stet is a quoted holding company, with majority stakes in a number of other quoted and unquoted companies, headed by Telecom Italia, the main domestic operator, and Telecom Italia Mobile, the mobile phone company.

Analysts point out that the market capitalisation of Stet - just below L25,000bn ($16bn) - is much lower than its asset value.

One possibility canvassed by the treasury and its supporters is to sell off non-core businesses of Stet to realise rapid capital gains. Stet could then be merged with Telecom Italia before privatisation at the end of next year.

Mr Francesco Giavazzi, a former senior treasury official responsible for privatisation, wrote last week that such an operation could realise L7,000bn-L8,000bn for Iri, which otherwise risks missing the end-1996 debt target agreed between the European Commission and the Italian government three years ago. Those figures are disputed by senior Iri officials who believe Stet would gain some L3,000bn from the sale of non-core operations and fear a restructuring would delay the whole sell-off.

Tension over the future of Stet surfaced in the centre-left government earlier this year, after the existing senior management of the telecoms company was renewed, in spite of pressure from the left to reshuffle the board.

Separately, a telecoms ministry official said that the government would examine a decree on reducing telephone charges at the beginning of September.

According to the ministry, revision of tariffs could cost Telecom Italia L700bn a year in lower revenues, a shortfall which the company said yesterday would be offset by the increased volume of calls.

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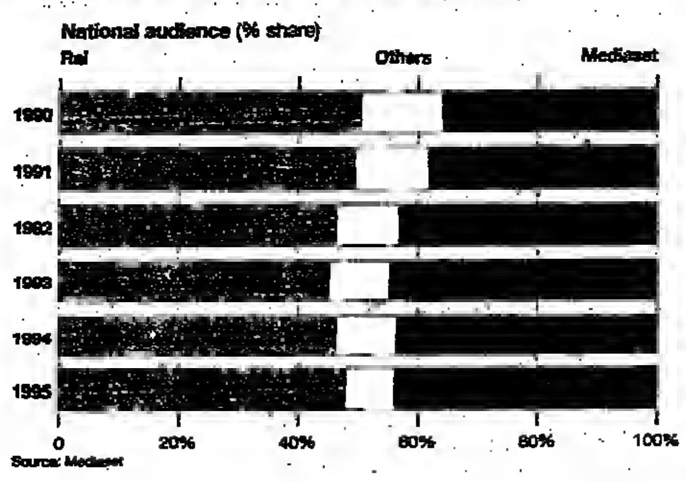
Italian television: vying for viewers



Silvio Berlusconi: his Mediaset group claims draft legislation could have a "devastating" affect by cutting its advertising income and possibly causing it to shed one of its three terrestrial channels

Picture still to clear on reform of Italian broadcasting rules

Proposals alarm media magnate Berlusconi, reports **Andrew Hill**

In Italy, it is always simpler to dodge deadlines than to meet them. For more than 18 months, Italian broadcasters and legislators have lived in the shadow of a constitutional court judgment which extended "transitional" rules on media ownership until August 27. The ruling said parliament should approve new norms, in the interests of greater competition, or risk a blackout of television transmissions on August 28.

The government only approved draft legislation aimed at reforming the rules two weeks ago and immediately came under attack from the opposition - led by Mr Silvio Berlusconi, whose family company still controls Italy's three largest commercial television channels.

With the August holidays approaching, the government had to choose whether to push through an unpopular decree to bypass controversy in parliament and meet the court's deadline, or do nothing and hope for the best. It decided on the latter course.

"The government has done its bit by tabling the draft legislation in parliament, which can, if it sees fit, amend the bill," explained Mr Michele Lauria, an undersecretary at the post and telecoms ministry this week. As for the risk of a broadcasting blackout, "it would be difficult to carry out and would constitute undue pressure".

In fact, the upper house of parliament had already decided to delay until September discussion of the measure which would establish a telecoms and media regulator. In effect, that will further delay the long-awaited sale of the state's majority stake in Stet, the telecoms holding company, which was due to take place this year. That could in turn oblige the treasury, its indirect owner, to restructure the group in order to raise money quickly.

Meanwhile, technological change - the growth of digital transmission, cable, satellite and pay-television channels - risks overtaking this first attempt at genuine reform.

Mr Antonio Maccanico, the posts and telecoms minister, had done his best to speed up the passage of the bill. First he split it into two pieces. The first draft law would lay out the rules on ownership and establish the regulatory authority for telecoms and media. The second, approved by the government last week, would begin deeper reform of the telecoms and broadcasting sector.

It is the first measure which has attracted the most attention, for the limits it imposes on existing broadcasters - in particular Mediaset, Mr Berlusconi's media company. The draft law would restrict single media groups to 30 per cent of the overall resources available from television broadcasting, and 20 per cent of the television or radio programmes transmitted nationally. Mediaset and Rai, the state broadcasting corporation - the only broadcasters likely to be affected - would also have to reduce the frequency and quantity of advertising broadcasts.

A day after giving what looked like a cautious welcome to the measure, Mr Fedele Confalonieri, Mediaset's chairman and one of Mr Berlusconi's closest friends, held a chaotic press conference to outline the "devastating" impact of the new draft rules. Mediaset believes the 30 per cent ceiling could cut L1,000bn ($655m) from the group's annual L3,000bn turnover, based on income from advertising. Even if the new authority does not interpret the rules in that way, the draft may still require Mediaset to turn one of its three terrestrial channels into a satellite or cable channel by August next year - a move which led some analysts to mark down Mediaset's newly listed shares.

The measure is not all good news for Rai either, in spite of Mediaset's protestations. Some analysts believe the 30 per cent ceiling could also cut Rai's turnover by L400bn-L600bn, if strictly applied. The reform package requires Rai to set up a new holding structure and to change one of its channels into a more costly, publicity-free regional network.

Not surprisingly, both lobbies are pressing for changes through parliament. Some investors in the Italian media industry say the fact that the government has now tabled draft legislation represents progress. "You know from feeling the cloth that it's good quality - now it only needs to be cut to the right shape," says one. The only risk is that by the time the tailor completes the suit, the wearer may already have grown out of it.

French TV licences renewed

By Andrew Jack in Paris

Two of France's leading private sector television channels had their licences renewed yesterday in spite of strong opposition.

Mr Hervé Bourges, the audiovisual regulator, signed new contracts with TF1, the country's most widely watched station which is controlled by the Bouygues construction group, and M6, a specialist youth and music channel.

The contracts, which run until 2002, provide a new framework for distributing and funding French-created television and film productions, while providing extra flexibility in the advertising regimes for the two stations. They also provide new guidelines on violence, pornography and integrity of news programming.

The main opposition to the licence renewals has centred on TF1 which faces allegations of bribing a former head of the French national lottery and has been criticised for providing low-quality programmes.

Just before the contracts were approved yesterday morning, Mr Philippe Douste-Blazy, the culture minister, suggested on radio that they might be being signed too hastily.

Mr Bourges said he "did not care" about the minister's comments, stressing his organisation's independence of the government. Negotiations had been "tough", he said, and as they had reached a conclusion there was no point waiting until the existing contracts expired formally.

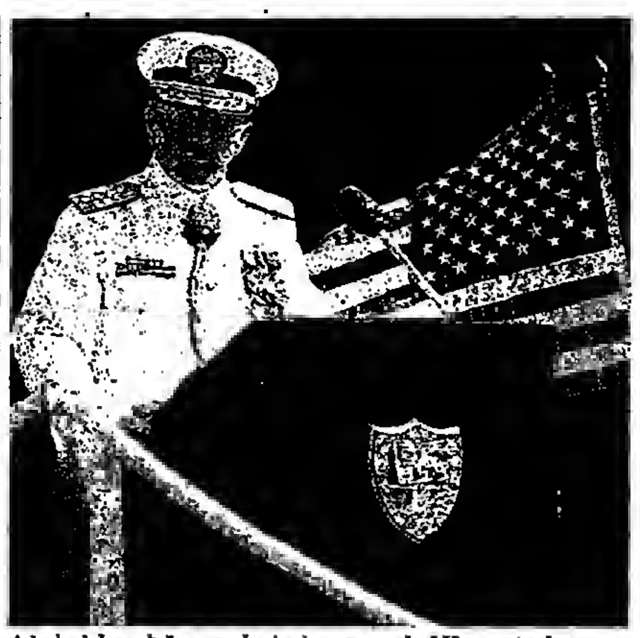
He also stressed that his agency could revoke the licences of the private sector channels only in exceptional circumstances, which had not arisen, and suggested many of the attacks were partisan.

Mr Patrick Lelay, chairman of TF1, who rejects the allegations of corruption and low quality standards by his channel, said yesterday he believed that the demands made by the CSA in the new contract remained too restrictive.

He had pushed for the EU-defined maximum of an average of nine minutes an hour of advertising, but the CSA capped the level at six minutes - partly reflecting concerns that an extension would come at the expense of advertising in newspapers and magazines, which the organisation did not want to damage.

Mr Bourges steered away from "gadgets" such as the computer chip discussed in the US to limit children's access to unsuitable programmes, saying instead that the emphasis would be on better information to aid parents to "play their role fully".

Two-thirds of TF1's programmes must be of French origin and it must broadcast at least two daily news bulletins, and allocate specific sums for production of works of fiction, youth programmes and cartoons.



Admiral Joseph Lopez who took command of Ifor yesterday Reuter

Saxony told to reclaim subsidies

By Neil Buckley in Brussels and Judy Dempsey in Berlin

The German state of Saxony again fell foul of European Union state aid law yesterday when it was ordered to reclaim DM63m ($43m) in subsidies paid to the steel company Werkstoff-Union.

The European Commission said the aid, about which it had not been notified, had been used illegally to finance a new plant.

Only aid for modernisation of existing plants can be approved.

The ruling came a day after the Commission threatened to take Saxony to the European Court unless it recovered DM90.7m in subsidies paid this year to Volkswagen, the car manufacturer, which the Commission last month ruled illegal.

The Saxony government said yesterday it would return the aid granted to Werkstoff-Union, but stood firm on plans to pay Volkswagen a total of DM241m subsidies banned by the Commission.

The aid to Werkstoff-Union was part of a DM200m package granted to a Swiss investor who bought the enterprise from the Treuhand, the agency charged with privatising east German industry.

Werkstoff-Union, which employs 160 people in Lippendorf, near Leipzig, is facing bankruptcy proceedings while a Saxon court is investigating whether state and federal funds might have been abused.

Saxony officials said repayment of the steel company aid would set no precedent in the case of VW, which is investing DM3.5bn in two plants in Saxony.

Mr Kajo Schommer, the state's economics minister, again defended the payments to Volkswagen, and - contrary to the Commission's view - said no law had been broken.

A contracts department set up by the Treuhand is supposed to monitor investments, but several examples - most notoriously Bremer Vulkan, the shipbuilders - have indicated a lack of scrutiny and control over the disbursement of public funds.

In a separate ruling, the Commission ordered repayment of loans totalling more than Pta1bn ($8m) by Spain's wage guarantee fund, Fogasa, to the steel company Tubacex.

The Commission said the loans constituted illegal aid since the 9 per cent interest rate was below market rates. It also declared illegal agreements by Tubacex with Spain's social security body to reschedule debts totalling Pta1.6bn.

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Pravda's Greek owners shut newspaper down

By Chrystia Freeland in Moscow

Pravda, the newspaper Lenin founded in 1912 as the voice of the Bolshevik revolution, has been silenced. Just weeks after Lenin's most recent successor was overwhelmingly defeated in a presidential poll, Pravda, which once dispensed the Communist party line to more than 13m Soviet homes, has been closed indefinitely by its capitalist owners.

The original staff risked arrest by the Tsar's police. But today the Greek Giannikos family, which acquired a controlling interest in 1992, accuses Pravda's reporters of laziness and excessive drinking, and says they have yet to learn non-partisan journalism.

"There was a lack of discipline we simply could not tolerate," said Mr Christos Giannikos, general director of Pravda International, the newspaper's publisher.

Last week the Giannikos family stopped the presses after a bizarre incident when the "Pravdistas" summoned the Moscow police to report a horrible crime - the three Orders of Lenin the newspaper had earned had vanished. The awards fetch upwards of $1,000 at western auction houses.

Security was stepped up to such an extent that Mr Giannikos and his brother Theodoros - who had moved the Lenin orders to their safe months earlier - were denied entry to their own newspaper. They denounced the incident as an attempt to deflect attention from the staff's poor performance and shut the paper down.

The broadsheet, whose circulation had dropped to 200,000, has an enviable brandname, but its hard-core communist reputation has become a liability, particularly after the resounding defeat of the Communist candidate in this month's presidential voting.

Mr Giannikos' strategy is to transform Pravda into "a pluralistic, democratic paper" which professes no particular ideology. He has already moved in that direction with "Pravda-5", a cheerful, down-market tabloid with little of the stolid communist preaching of the mother paper.

New attempt to break impasse over Mostar

By Laura Silber in Belgrade and Bruce Clark in London

Croatian and Bosnian leaders yesterday met international mediators who are trying to break the impasse over the divided city of Mostar, which threatens to undermine Bosnia-wide elections next month.

The meetings took place in an atmosphere of mounting pressure on Croatia's President Franjo Tudjman to rein in his nationalist proxies in the Moslem-Croat federation.

Mr Tudjman yesterday met Mr Michael Steiner, deputy High Representative for Bosnia, and Mr Peter Galbraith and Mr John Menzies, respectively US ambassadors to Croatia and Bosnia.

The European Union has threatened to wind up its mission to Mostar unless the Croats end their boycott of the city council by August 4. Under EU administration for the past two years, Mostar held its first post-war elections a month ago. The Moslems won a majority of seats; the Croats alleged election irregularities.

Diplomats said Mr Steiner and the US ambassadors were asking Mr Tudjman to meet the EU deadline, fearing that failure in Mostar will scupper the Bosnia-wide elections. Sir Martin Garrod, EU special envoy to Mostar, warned of a "dangerous situation" if the EU withdrew. If the Croats reconsidered their boycott, he said, the EU would stay until December 31 at the latest.

Ministers from the Organisation of Islamic Countries in Geneva yesterday urged Croatia to dismantle Herceg-Bosna, the Croat mini-state which Mr Tudjman agreed to disband last November.

In another attempt to end the stand-off in Mostar, Mr John Kornblum, the senior US envoy to former Yugoslavia, yesterday returned to the region.

According to the US State Department, he was expected to convey Washington's unhappiness over an offer by Iran to provide Bosnia with $60m (£39m) worth of aid.

As the Dayton plan enters its most critical phase, US Admiral Leighton Smith handed over command of the Nato-led Implementation Force (Ifor) in Bosnia to Admiral Joseph Lopez, a fellow Vietnam war veteran who until now was deputy chief of Naval Operations in the Pentagon.

Under Adm Smith, Ifor came under criticism for failing to arrest indicted war criminals in the region. His successor will face a host of conflicting pressures, with US politicians anxious to see the Bosnian peace plan work but also impatient to withdraw US soldiers as soon as possible.

In September Nato is due to decide whether it will indeed pull out its forces - at the risk of triggering renewed war. Diplomats say there has already been some "swapping out" of heavy armour in exchange for military police.

EUROPEAN NEWS DIGEST

Turkey unveils economic plan

Turkey yesterday unveiled an ambitious economic package aiming to raise $10bn to combat soaring inflation and a huge budget deficit. The package stressed revenue-raising rather than the tough stance on spending sought by the financial community, and featured privatisations and proposed foreign currency debt issues.

Mr Necmettin Erbakan, the Islamist prime minister, said the government was aiming at an inflation rate below the most recent government target: wholesale price inflation of 65 per cent by year-end. He said the package could halve the deficit, forecast to reach TL1,300,000bn ($15.5bn) this year, compared with a previous forecast of TL861,000bn and the TL317,000bn achieved in 1995.

A significant element of the package involves improving the maturity and cost structures of domestic borrowing by issuing debt paper in foreign denominations or indexing it to foreign currencies. Excluding this, the package aims to raise TL575,000bn. Financial markets reacted cautiously: the Istanbul stock exchange index fell 0.45 per cent to close at 63,365.64. *Reuter, Ankara*

Belarusan defections denied

Russian news agencies reported that two leading Belarusan opposition politicians had sought political asylum in the US. According to several reports, Mr Zenon Poznyak, leader of the Belarusian National Front, and Mr Sergei Naumchik, another opposition activist, petitioned the US government for political asylum during a visit to Washington this week.

However, leaders of the National Front, the most vocal opponent of President Alexander Lukashenko's increasingly authoritarian rule, said yesterday that Mr Poznyak, who fled Belarus after a demonstration in April, had not told them of any plans to defect. Front officials also vowed to step up their efforts to loosen Mr Lukashenko's stranglehold on the impoverished Slavic state. *Chrystia Freeland, Moscow*

Strasbourg delay for DHL

A decision on whether the international courier group DHL will be allowed to site a distribution centre near Strasbourg, in eastern France, is to be delayed at least until a study by experts is concluded in September. Local politicians, co-ordinated by Ms Catherine Trautmann, Strasbourg's mayor, have demanded an analysis of the noise and other environmental impacts of the project.

DHL had expressed a preference for Strasbourg over two other French cities. Its proposal was encouraged by the regional economic development agency and would create some jobs, but some politicians and local residents have opposed the move as it will involve a significant number of night-time flights. *Andrew Jack, Paris*

Austria yields over accounts

Austria will today formally outlaw anonymous securities accounts, bowing to world pressure to end arrangements which can be used for money laundering. According to media estimates, anonymous securities accounts contain some Sch400bn ($38bn), of which around Sch60bn is owned by foreigners.

The European Union has welcomed the decision but criticised the continued existence of some 26m anonymous savings books, containing an estimated Sch1,400,000bn. Brussels says they contravene European banking law and offer a safe haven for illegal funds, and it has threatened legal action. The US last year ranked Austria alongside Colombia, Venezuela and Thailand in a league table of countries that tolerate money laundering.

Stock exchange authorities also welcomed the government decision. They had long complained that anonymous securities accounts hampered investigations into suspected insider trading. From today, no one will be able to open or add to an anonymous securities account, but account-holders can run them down without revealing their identity. *Reuter, Vienna*

Russians face graft charges

A low-profile shake-up of the Russian government continued yesterday as serious corruption charges were levelled against almost a dozen mid-ranking officials. The most prominent case was the official announcement that Mr Pyotr Karpov, deputy chairman of the Federal Bankruptcy Agency, had been arrested over the weekend on corruption charges.

Although some have hailed the agency as being at the cutting edge of Russia's market reforms, its mandate to force insolvent enterprises into bankruptcy has earned it many powerful enemies. Mr Pyotr Mostovoy, its head, is under investigation in connection with corruption charges.

Moscow police authorities also announced yesterday that they had completed a probe into embezzlement at the defence and interior ministries and would press charges against 10 people. A police spokesman said that the adult children of senior officials in the two ministries had stolen some $100m in 1993 and 1994 in a complex scheme involving falsified financial documents. *Chrystia Freeland*

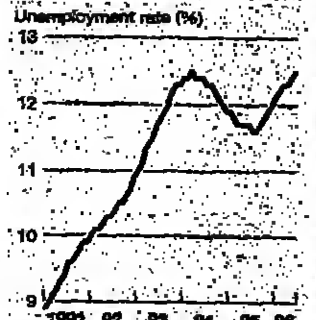
Alto Adige activists pardoned

Italy's President Oscar Luigi Scalfaro has granted pardons to 24 separatist activists from the northern Alto Adige region convicted of involvement in several bombings in the 1960s, his office said yesterday. The Alto Adige, known to Austrians as South Tyrol, was ceded to Italy after the first world war following the collapse of the Austro-Hungarian empire. Two thirds of the 430,000 people in the region are native German speakers.

Separatists seeking a split from Italy carried out a wave of bombings in the 1960s which killed 17 people. A second series of attacks occurred in the 1980s but caused no casualties. Those pardoned yesterday were not involved in attacks that injured or killed people. *Reuter, Rome*

ECONOMIC WATCH

More out of work in France



Unemployment in France rose an unadjusted 0.7 per cent in June to 3.07m, the second consecutive monthly increase, according to the labour ministry. At the same time, seasonally-adjusted figures from Insee, the national statistical institute, showed the number of unemployed seeking jobs at 3.19m, or 12.5 per cent of the working population. This is up from 12.4 per cent in May and 11.7 per cent in June last year. A separate study showed French industrialists more pessimistic about the level of orders for the second quarter of the year. The information will add to pressure on the government, already fearful of a repeat of last November's social unrest, yet attempting to reduce its budget deficit partly by cutting the public sector payroll by up to 10,000 employees next year. *Andrew Jack, Paris*

■ Retail sales by medium and large companies in Italy rose 5.9 per cent year-on-year in April, and by 7.5 per cent in the first four months of the year.

■ Finnish gross domestic product was up 2.4 per cent year-on-year in May and by 0.3 per cent, seasonally adjusted, from April. Output increased in all sectors except agriculture and forestry and was strongest in construction. Retail sales were up 4 per cent in May from a year earlier, with wholesale sales up 1.7 per cent.

هكذا من الاصل

Michiyo Nakamoto visits Sakai, heart of food poisoning outbreak

Japan's city of sadness and fear

There is a curiously antiseptic smell that permeates the city of Sakai.

Public toilets at stations are equipped with wash basins filled with a murky white liquid and city employees have been spraying schools and other public places with disinfectant.

Tha exercisa in public bygiene is Sakai's belated response to an outbreak of food poisoning that has shaken Japan and drawn the public's attention to this run-of-the-mill metropolis in western Japan.

Better known for its more glorious past as a leading commercial centre, Sakai is now more closely associated with E. Coli O-157, a vicious strain of bacteria which has already claimed the lives of seven children in nearly three weeks.

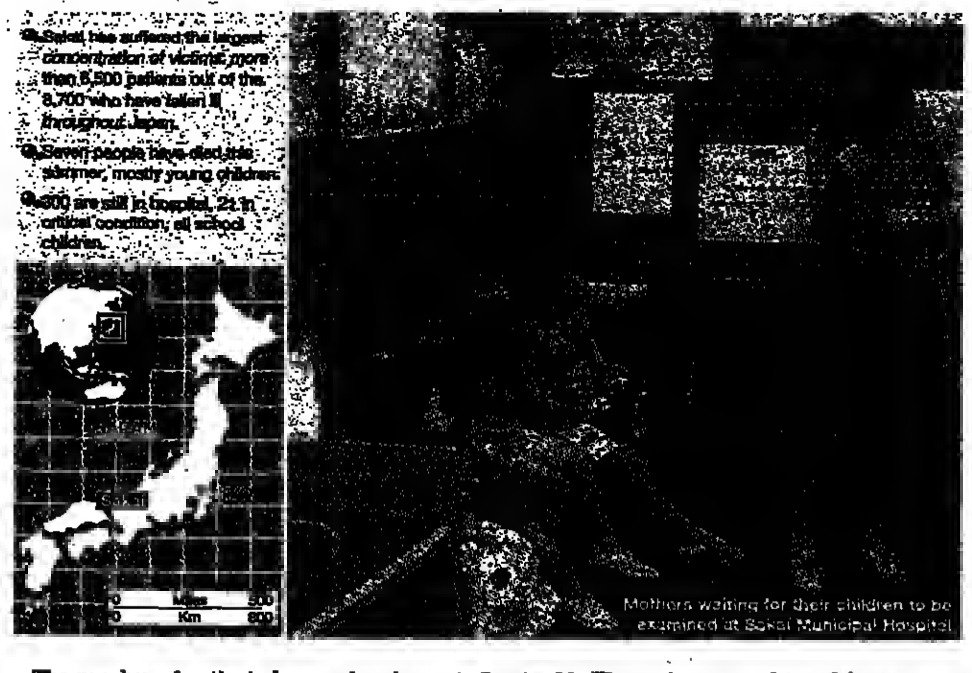
Although Sakai has suffered just one of those deaths, the city has suffered tha largest concentration of victims – more than 6,500 patients out of the 8,700 who have fallen ill throughout Japan.

Close to 300 are still in hospital and 21 are in critical condition, all of them school-age children.

"A lot of people are worried," admits Mr Hisao Terasawa, an official working in a special task force at the Sakai municipal office. "With over 6,000 peopla ill, it is no wonder that they are," he says.

Things have calmed down since the initial days of confusion and panic when hundreds of school children were taken into bospital at once, suffering from acute stomach pains and bloody diarrhoea.

"On July 13 alone more than 100 children were brought to the bospital and the next day we had between 250 and 260 children suffering from severe stomach pains," says Dr Takao Hashizume, chief paediatrician at the Sakai Municipal Hospital. "July 13 was a day off and we had to call doctors in to deal with the situation. The doctors have been working long hours and we have had to ask for additional belp," ha says.



Mothers waiting for their children to be examined at Sakai Municipal Hospital

The number of patients hospitalised and of those who are critically ill have fallen significantly over the past week or so, and Sakai officials hope that the trend will continue.

Nevertheless, the situation is still serious.

Yesterday, the health and welfare ministry designated O-157 a dangerous infectious disease in a move which allows the authorities to condnct mandatory inspections and tests.

People in Sakai have been shunning raw and rare foods, from roast beef to sushi, and even raw vegetables, after reports that uncooked or partly cooked foods could have been the cause of the outbreak.

Residents have been avoiding eating out, particularly at restaurants which serve raw food. Larga snpermarket chains, snch as Daiel and Jusco, have stopped selling meat for raw or rare consumption and the Osaka wholesale market reports that prices of even vegetables snch as cucumbers and lettuce, which are usually eaten uncooked, have dropped.

"The neighbourhood sushi shop is empty," notes Mr Hiroshi Kasetani, a Sakai resident whose two children were unaffacted by tha onthreak. Although their school was safe from the disease, the Kasetani family is not taking any chances.

"Wa have stopped eating raw foods and we wash our hands very carefully," says Mr Kasetani. In common with other worried parents who have heard through the media that the O-157 bacteria was found in the bathwater of one elderly woman who died from the disease, the Kasetanis have instructed their children to take showers rather than baths and not to go swimming.

Schools in Sakai were closed earlier than usual and the grounds, which in normal years are open to the public during vacations, are off-limits. Public swimming pools have been closed and camp sites in the area have been turning down groups of schoolchildren from Sakai.

Public events, such as the annual summer night festival in Sakai which attracts tens of thousands of people each year, have been cancelled. Sakai is in no mood to celebrate.

Apart from these inconveniences, and a general concern about secondary infections, for most of Sakai's citizens life goes on much as usual.

But for the families with children in hospital, the sushi shop owners and fish vendors, the mysterious disease – about which there is very little definitive information and for which there is no established treatment – has turned their lives upside down.

The municipal authorities have been beavily criticised for their response to the outbreak. In spite of conducting stool tests on 23,310 citizens and 1,352 types of food, Sakai has yet to discover the cause of the outbreak and whether there is still a danger of secondary infections.

City officials are condemned for having taking the situation lightly at first, for being slow to confront the problem and then trying to hide the seriousness of the situation.

"There are a lot of people who complain to the authorities," notes Mr Terasawa at the municipal office. He admits that the city could face a lawsuit from the family of the 10-year-old girl who died of O-157 last month.

The medical consensus, which has been widely publicised through the Japanese media, is that O-157 lives quite harmlessly in cattle and is spread through contaminated foods or liquids or througb physical contact.

In one outbreak in the US, the water which was used to wash lettuce leaves was found to be responsible while in a another recent case in the US undercooked hamburgers were to blame.

Heating to a certain degree for a certain length of time will kill the bacteria, which lives longer than most other bacteria and spreads rapidly. "It doubles in 15 minutes so it doesn't taka long for it to spread from 1m to 10m," points out Dr Toshio Shimada at the National Institute of Health in Tokyo.

The bacteria does not usually kill healthy adults but can be very dangerous for children and the elderly, Dr Shimada says. Children who have had convulsions could suffer aftereffects, worries Dr Hashizume.

Sakai city officials, who have decided to pay for the medical bills of those affected, concede that school lunches were probably responsible for spreading the disease.

However, there are still so many unanswered questions about the outbreak that continue to breed frustration and fear.

Some schools which served tha same lunches as those wbera hundreds of children became ill have not suffered a single victim. While food poisoning is part of life in Japan, with its hot bumid summers, there is no easy explanation why E. Coli should strike this year, rather than any other.

Most of all, there is nothing to mark out Sakai as particularly vulnerable to such an outbreak. "If we knew why this has happened in Sakai, we wouldn't he bere," says Mr Terasawa.

Chinese dissident speaks out on press freedom

By Tony Walker in Beijing

A leading Chinese political activist has broken the silence of China's tiny, beleaguered dissident community in a call for greater press freedom and an end to the Communist party's stranglehold over the dissemination of news.

In a letter to the National People's Congress, China's parliament, Mr Liu Xiaobo, one of the leaders of the 1989 Tiananmen Square pro-democracy protests, boldly demanded a break-up of the state's information monopoly.

"Monopolising the sources of information is tantamount to throttling the spirit and survival of people's freedom," Mr Liu wrote. "Monopoly leads to privilege, privilege leads to unfair competition and unfair competition leads to corruption." Parliament should draw up a law to protect freedoms of speech and publication, break state broadcasting monopolies and bring real competition to the media, he said.

All sources of information in China, including newspapers and television, are rigidly controlled by the state, which brooks little deviation from the party line. President Jiang Zemin recently said journalists had an exalted calling as "engineers of buman souls".

Mr Liu's demand is likely to fall on deaf ears, especially as it coincides with stiffer controls on the media in the lead-up to next year's party congress – an event held every five years to select new members of the leadership and endorse new policies.

But Mr Liu's criticism of the state-controlled media also mirrors recent attacks in the party press on corrupt journalists who accept money – so-called "paid news" – to attend press conferences and write favourable stories about companies and individuals.

The latest petition by Mr Liu, who was one of those accused of being among the "black hands" behind the student protests of 1989, represents something of an act of defiance since be was recently released from seven months' detention for engaging in similar activities.

In early 1995 be was behind several petitions to the parliament calling for a review of the official verdict on the Tiananmen protests, which were branded "counter-revolutionary". Leaders of the protest movement were sent to jail for lengthy terms.

Mr Liu's latest petition comes amid a continuing squeeze on dissident activity. China's most prominent activists have either been jailed or placed under house arrest. Beijing demonstrated its determination to keep the lid on dissent with its treatment of Mr Bao Tong, a former senior official, who was released from jail recently after a seven-year sentence only to be beld incommunicado under house arrest.

Mr Bao, who was an assistant to former party secretary Zhao Ziyang, was accused after the Tianmen protests of leaking state secrets and "engaging in counter-revolutionary propaganda and incitement."

The Communist Party newspaper warned in May that journalists should not allow the lure of cash to outweigh thair responsibilities, hnt reporters say the practice of taking money for attending news conferences and media events remains common.

ASIA-PACIFIC NEWS DIGEST

HK increases assets by 5.3%

Hong Kong's Exchange Fund, the territory's treasure chest, increased its total assets by 5.3 per cent over the first six months of the year to HK$484.9bn (US$62.7bn) at the end of June, the Hong Kong Monetary Authority said yesterday. The underlying foreign currency reserves reached US$60bn, and according to independent rankings compiled by the authority, this puts Hong Kong in seventh place globally behind Singapore.

The accumulated surplus of the fund stood at HK$161.6bn at end-June, an increase of 0.95 per cent from the end of 1995. While the improvements are more modest than last year, Mr Joseph Yam, the authority's chief executive, said he was satisfied. While 1995 hed seen rising prices in all the markets that the fund invested in, primarily bonds, the first half of this year had been much harder for investors in fixed income markets. The widespread expectations that US interest rates will rise in the second half would influence investment decisions, he said. The fund, which can be used to defend the currency from speculative attacks, mainly comprises US dollar-denominated assets.
Louise Lucas, Hong Kong

Pakistan buys Ukraine tanks

Pakistan, stung by US sanctions on weapons sales, has bought more than 300 Russian-built tanks from Ukraine, its first big arms purchase from a member of the former Soviet Union. The $550m deal was signed in Islamabad on Tuesday, a Pakistan Defence Ministry official said. The tanks are to be delivered within three years, with the first batch arriving early next year. Analysts said the deal with Ukraine was likely to raise concern in Pakistan's arch-foe, India, whose armour is mostly of Russian origin.
Reuter, Islamabad

■ The government of Ms Benazir Bhutto, Pakistan's prime minister, yesterday appointed eight new federal ministers and seven ministers of state, taking the size of the cabinet to 36. The new federal ministers included Mr Asif Ali Zardari, Ms Bhutto's husband. The cabinet expansion was seen as a step to strengthen the government's position by giving a larger representation to MPs from different parts of the country.

Political uncertainty continues to dog the government in the wake of a struggle with the judiciary and the authorities' handling of the economy. The political uncertainty yesterday hit share prices on the Karachi stock exchange, the country's main exchange. The KSE-100 index fell 26.69 points or 1.8 per cent, closing at 1,455.25 points, its lowest level so far this year. Meanwhile, a national transport strike in protest against new taxes, entered its second day. Public transport was disrupted in many large cities.
Farhan Bokhari, Islamabad

Typhoon Herb hits Taiwan

Typhoon Herb lashed Taiwan yesterday, prompting the authorities to close markets, airports, harbours and government offices for a second day. Private businesses have followed suit, leaving streets nearly deserted as the government issued warnings to remain indoors. Five people were reported dead, with two missing; more than 500,000 homes were without electricity. Many low-lying and coastal areas were flooded as Herb, the second typhoon to hit the island in a week, arrived.

The full force of Herb, called a "super-typhoon", hit the northern part of the island with maximum winds of 118 mph and gusts of up to 145 mph, weather officials said. The storm is expected to move on to Fujian province, China, by early afternoon today. Typhoon Gloria killed three people in Taiwan last week and caused crop damage estimated at T$580m (US$21m).
Laura Tyson, Taipei

Malaysia business centre opens

A European Business Information Centre supported by the European Commission has opened in Kuala Lumpur to provide information and help spur business exchanges between Europe and Malaysia.

The centre will provide European companies with information on Malaysian legislation and regulations, along with data on the structure of Malaysian industries, market trends and opportunities for potential joint venture partners. It will provide information for Malaysian companies interested in investing or trading with Europe.

Mr Manuel Marin, vice-president of the European Commission, said the physical distance between Europe and Malaysia was less inhibiting to business than a lack of relevant information. Small and medium-sized businesses, under increasing pressure to integrate into the global economy, were especially in need of such information, he added.
James Kynge, Kuala Lumpur

Industry welcomes cut in Australian interest rates

By Nikki Tait in Sydney

Australian industry and the federal government yesterday welcomed a move by the central bank to push down official interest rates.

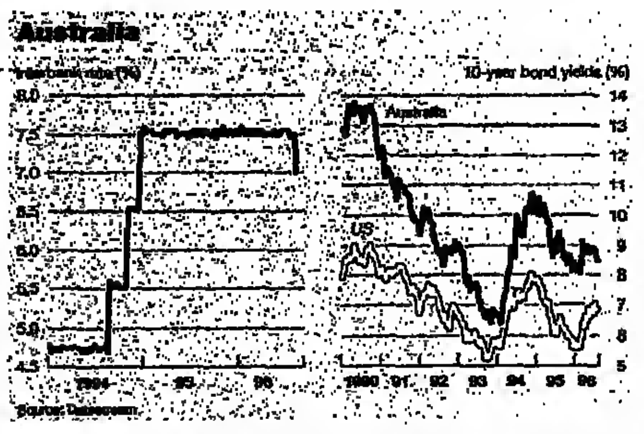
The Reserve Bank of Australia (RBA) signalled the official cash rate would be lowered to 7 per cent from 7.5 per cent. It was the first change since late 1994, when the bank raised rates three times in an effort to stave off inflation and balance of payments problems.

Thoughts that the Reserve Bank might move hardened this week after a bank board meeting coincided with data showing a waak situation in the housing industry. This was the latest in a series of figures to indicate the economy was losing momentum, a trend further confirmed by flat retail trade figures for June, released yesterday.

Recent price data, meanwhile, showed year-on-year inflation of 3.1 per cent in the June quarter, just outside the RBA's desired 2-3 per cent but the lowest since March 1994.

The bank said its move reflected "the board's judgment that underlying inflation is consistent with the 2-3 per cent objective, and its view that the economy bas the capacity to grow a little faster than at present without threatening this objective".

Over the first half of 1996, inflation had run at an annual 2.5 per cent. "The bank's forecasts suggest underlying and headline inflation will be around 2-3 per cent for some time," it added.



Mr Peter Costello, federal treasurer, said the rate reduction was a "down-payment" on the Liberal-National coalition's impending bndget package, expected to include spending cuts and the prospect of a budgetary balance by the late 1990s. "It's being done to give a little more buoyancy to the economy and... as a down-payment on our economic restructuring package," he said.

Mr Ian Donges, president of the New South Wales Farmers' Association, said: "Exporters, particularly those in the farm sector, should obtain better returns for their produce... This will inject a much overdua boost in business confidence."

On financial markets, the dollar weakened further after the rate action, while bond and share prices rallied. Private sector economists were divided on whether there would be further easing soon. If wage inflation remains low, some were tipping a further interest rate cut before Christmas.

● Mr Graeme Thompson, one of tha two deputy Reserve Bank governors, yesterday indicated support for greater self-regulation of Australia's financial markets. "Well designed self-regulatory initiatives by industry should permit flexibility needed in rapidly changing markets, while encouraging the spread of 'best practice'," he said.

Indonesians count cost of Jakarta riots

By Greg Earl in Jakarta

For investors who lost $3bn on the Jakarta stock exchange this week, the white board in the corner of the ransacked Indonesian Democratic party (PDI) office would be a chastening sight. It was one of tha few bits of furniture still intact after the weekend rioting in Jakarta.

The figures on the board showed the modest dimensions of the opposition forces that have brought soldiers on to Jakarta'a streets. It was last month's bndget for part of the anti-government campaign. The total was just $11,000, covering everything from publications to pop music.

The modest budget underlines the enormity of the task facing Mrs Megawati Sukarnoputri, ahead of her legal challenge today against government action removing her as leader of the opposition PDI last month. She has taken a low profile since Saturday's violence, adding weight to the view she is not prepared seriously to confront President Suharto.

Political analysts and financial traders are closely watching for an indication of how the popular opposition leader proceeds now the military is threatening a "shoot-to-kill" policy. Yesterday, Lient-General Syarwan Hamid squarely pinned the blame for the weekend disturbances on a small radical party, the Democratic People's party (PRD). But he provided little information to soothe stock market fears as investors re-assessed Indonesia's political risk.

Observers say the PRD suddenly gained a high profile from its successful organisational role in a big labour strike in Surabaya last month, but still remained a small student radical group.

Gen Syarwan stepped up the pressure on Mrs Megawati, suggesting she had indirect links to the PRD because its members had participated in the free speech forum the ousted PDI leader had allowed outside her party's office.

Police have indicated they wish to call a formal meeting with Ms Megawati to bring an end to the "free speech platform", but they would need to gain presidential permission to question Mrs Megawati because she is a member of parliament.

The anthorities arrested indapendant labour leader Mnchtar Pakpahan, officials and trade unionists said yesterday.

Hong Kong's small brokers on the rack

Louise Lucas explains why they are being hit hard by the big and aggressive international players

While stripe-shirted young men from investment banks Salomon Brothers and Morgan Stanley share lifts in the gleaming harbour front Exchange Square office block, Mr Syed Bagh Ali Shah Bokhary snd his colleagues are squeezed into shabbier buildings in rubbish-strewn streets a few minutes walk away.

These are the two contrasting faces of Hong Kong's broking community. It is one that may soon vanish as the pressures on small brokers become inexorable.

Hong Kong's legions of small stockbrokers used to rule the roost. But they have been trampled underfoot by the big international players as the colony's economy has carved out a role for itself as a regional financial hub.

"In 1983 I said the [Hong Kong] stock exchange council is going to change completely if we let in all these guys," says Mr Richard Witts, a former chief of one of the colony'a four exchanges before they were unified in 1986.

"That's exactly what happened, he says, referrring to the rush of American brokerages that hit the territory that year. "Even our biggest local brokerage has been impacted."

The slow demise of the small brokers, whose endeavours financed the creation of the unified exchange, was reinforced last week with charges brought against two of the industry's most colourful figures. Mr Chim Puichung, who represents the broader financial services industry in the Legislative Council, was arrested and charged with fraud and conspiracy to fraud, while separately Ms Chen Posum, a former vice-chairwoman of the exchange, was charged with soliciting and sccepting bribes. Both were released on bail.

But it is not malpractices that have squeezed out the small players. As Mr Stephen Clarke, director of Anglo-Chinese Corporate Finance, says: "Stock exchanges all over the world encourage scallywags". Instead, forces marshalled against the small brokerages inclnde the slew of overseas institutions, the exchange's own desire to internationalise, rising costs and sluggish markets.

Moreover, trading on Asia's second biggest stock market has meant playing in ever more sophisticated derivatives markets. Mr Joe Choi, manager at Coin Fall, a small brokerage, says: "There's lots of new prodncts nowadays, it's not like the old days. It's no longer just buying a good company; derivatives have to be considered too.

Mr Choi's grumbles – about the increasing sophistication of the market and its impact on small brokers – are typical. Small brokers argue that while their bigger brethren have the knowledge and technology to navigate the field of derivatives, they do not.

But few small brokers have made themselves heard on such issues.

In 1986, the new unified exchange was guided by a clubby council of 21 individual members, all of whom were small local brokers. Two years later this cosy club was rejigged after the world equities crash of 1987 exposed many malpractices on the colony's exchange.

In 1991, as part of the continuing overbaul, the council was totally revamped. There are now 11 independent members appointed by the government and the 18 broker slots are awarded on the basis of turnover of individual firms.

The biggest 14 brokerages compete for four top-ranking A seats, the next 50 by turnover for five B seats, while nine are granted to the 400-odd small brokerages. As Mr Witt says, the reform has gone in completely the opposite direction – from local to foreign domination.

"I don't think the way they are running it is real democracy," says Mr Choi of Coin Fall. "Smaller brokers have less voice because larger firms have a different viewpoint and with the larger firms, everyone speaks for themselves."

Not all small brokers resent the new makeup. Mr Bokhary, a council member who is now in the throes of upgrading his own hrokerage from sole trader to incorporated company, does not see a conflict of interest between the small players and their bigger rivals. Nevertheless, be still thinks tha outlook for the small brokerages is gloomy.

"There's an attrition of small brokers, a survival of the fittest going on. Bnt the same can be said of the larger players. Market volume is very low. Turnover is down. We're just trying to make ends meet," he says.

Mr Peter Wai of Peace Town Securities is among those who prophesise many smaller hrokerages biting the dust as volumes contract and competition becomes lopsided and the stock exchange – as a market in a professedly free market society – no longer offers protection to tbose that hrought it into existence.

NEWS: WORLD TRADE

Chip pact expires... but not all are mourners

It led to argument and anger. The US hopes to renew it but Japan just wants it buried

After more than a decade of argument and acrimony over semiconductors, Tokyo and Washington are agreed that their bilateral chip pact has served its purpose. But they are still to settle the debate over what next. The US hopes to renew the pact, Japan wants it buried.

The semiconductor agreement, which expired yesterday, was the most notable example of a bilateral managed trade pact, but it was also a victim of its own success. The EU assisted in the last rites. It did not participate in the arrangement between the US and Japan, but alternately condemned it or sought to join it.

Two successive five-year US-Japan semiconductor pacts were negotiated. The first, in 1986, focused on propping up world prices at a time of global oversupply. It was condemned by free traders as "managed trade" because it created "a global cartel" fixing prices and raising them in products which used computer chips.

The pact contained an openly discussed "secret side letter" which Americans interpreted as a promise to boost the US market share in Japan from about 9 per cent to 20 per cent.

The second deal was negotiated by the Bush administration, which claimed to detest "managed trade" but got Japan to sign a statement which "recognised that the US semiconductor industry expects that foreign market share will grow to more than 20 per cent of the Japanese market by the end of 1992."

When he got to Washington in 1993, Mr Mickey Kantor, then the US trade representative, declared the "expectation" to be a commitment.

The 20 per cent was reached in the fourth quarter of 1992 and continued to climb until it reached more than 30 per cent this year.

The Electronic Industries Association of Japan last January published a report trumpeting the pact's accomplishments, entitled "Mission Accomplished: Why There is no Need for a Semiconductor Arrangement with Japan." It said the pact had achieved its objectives – increased market access opportunities for foreign suppliers and the avoidance of US dumping actions.

"Long-term relationships between Japanese and foreign semiconductor companies have been established," it said. "Consequently, foreign semiconductors companies are achieving record-breaking sales in Japan."

As anticipated when the pact was signed, US semiconductors have been incorporated in a wide variety of Japanese products. Design-ins by foreign companies, adapting chips to specific products, rose nearly ninefold between 1986 and 1995. Cross country long-term alliances have proliferated.

For example, a Sony "playstation," a 32-bit home use game machine, uses chips designed by a US company, LSI Logic, chosen for its expertise in developing software for 3-D graphics, its cost efficiency and its expertise with high speed signal processing.

The US side is just as enthusiastic about the results of the pact. Mr Bill Reinsch, a senior Commerce Department official, was a congressional aide when the deal was negotiated. The "genius" of the deal, he said, was that by setting a target for US market share in Japan – 20 per cent – the Japanese had to do more than its usual "activity at the margin," like goodwill-buying missions. The two industries were forced to work together.

"It taught the Japanese that we were responsible, competitive, viable producers," he said. "But the point of the agreement was not to reach an arbitrary number but to force the Japanese to look at and integrate foreign producers into their production."

Mr Reinsch said that at the time of the first agreement Japan was building enormous capacity. When prices fell, it produced even more to compensate. If the market had been open to foreign competitors, the massive overproduction would not have occurred, Mr Reinsch contends.

Not everyone praises the semiconductor arrangements. The conservative Heritage Foundation called it "both a failure and an unwise policy". It credits the "avalanche of trans-Pacific strategic alliances" for the improvement of US market share. It gives no credit to the pact for prodding the Japanese industry into foreign partnerships.

Mr Scott Latham of the libertarian Cato Institute acknowledges that Miti pressure on Japanese companies "accounted for some rise in US market share in Japan". However, "American producers have long been dominant in the microprocessor, custom and advanced logic chip segments – precisely the areas that have seen the largest demand increases in Japan and, indeed, worldwide."

Furthermore, the increasing sophistication and cost of new chip design and production facilities has soured demand for international joint ventures to help finance new chips.

Mr Latham says the US push for a renewed deal "makes absolutely no sense – except as continued government largesse for an industry that requires none". The pact, he says, set "a terrible precedent for dealing with trade frictions". Tokyo apparently agreed, not least when the Clinton administration came to power and began demanding more deals with numerical targets.

Having learned its lessons from semiconductors, Tokyo resisted. The US, weary of bilateral battles, looks likely to turn to the World Trade Organisation for the preferred venue of future feuds.

Nancy Dunne

EasyJet may sue Dutch airline

By Michael Skapinker, Aerospace Correspondent

EasyJet, the UK-based low-cost carrier, is considering legal action against KLM, the Dutch carrier.

EasyJet, which was started last year, would not reveal yesterday the nature of its complaint against KLM although it is believed it will complain of unfair competition.

Schiphol airport in Amsterdam tried earlier this year to dissuade the carrier from starting services between Luton airport, near London, and Amsterdam.

Schiphol wrote to EasyJet, saying there were already 50 flights a day between London and Amsterdam, many at competitive prices. The airport said it was concerned that EasyJet, which began flying to Amsterdam in April, would find competition too fierce.

The airport said: "We strongly advise you to reconsider your current plan and maybe look into more profitable European destinations. We would not like to see one of Europe's pioneering low-fare carriers go under because of a highly competitive and unprofitable Amsterdam operation."

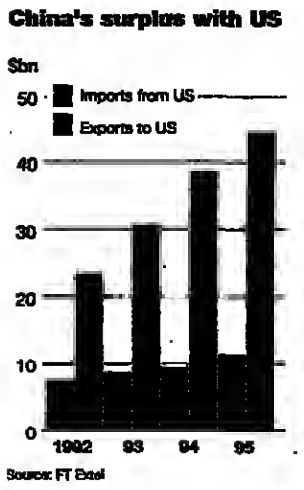
The airport said that EasyJet's aircraft were too noisy for an airport which took environmental protection seriously. EasyJet says its aircraft noise levels are within legal limits.

EasyJet is owned by Mr Stelios Haji-Ioannou, a Greek shipowner. He modelled the airline on low-cost US carriers such as ValuJet and Southwest Airlines. The airline began flying between Luton and Scotland last year, offering flights for the price of a pair of jeans.

It launched services to the continent earlier this year. EasyJet stewards are casually dressed and the airline's telephone number appears on the sides of its aircraft. The airline provides no refreshments on board, although passengers can buy snacks and drinks.

EasyJet does not issue tickets and does not offer bookings through travel agents.

China's surplus with US



Source: FT Basl

China asks US to ease high-tech export curbs

By Tony Walker in Beijing

Beijing yesterday suggested that Washington ease restrictions on exports of high-technology items to the Chinese to help narrow the US trade deficit with China, which stood at $34bn last year, according to US figures.

The US imposes restrictions on exports of certain types of supercomputers and other high-tech items that could be used in China's defence sector.

"If countries concerned abandon restrictions on exports of high-technology products to China, we believe the concerned countries' exports to China would increase by a big margin," said Mr Hu Zhaoqing, spokesman for the ministry of foreign trade and economic co-operation.

He also said China expected to achieve balanced trade this year after registering a $16.7bn surplus in its trade with the rest of the world in 1995. Stronger import growth and a decline in exports compared with last year led to the turnaround. Mr Hu said China's trade this year would be "roughly balanced", but it was difficult to predict the final outcome.

China's bulging trade surplus has become a political issue in the US. China's exports to the US last year totalled $46bn while its imports were only $12bn, according to US figures. China, however, says the surplus was only $8.6bn on total trade of $40.8bn. It says the US exaggerates the situation by including value-added items re-exported through Hong Kong.

China's total trade surplus with all countries in the first six months of the year was $377m on imports of $63.18bn and exports of $64.06bn. Exports in the first half were down 8.2 per cent on last year.

Mr Hu blamed the export slide on China's credit squeeze, reforms of the tax rebate system on raw materials used to produce items for export, barriers to China's exports in foreign markets and slackening demand for some bulk commodities.

But he also pointed out that China's export performance was returning to normal after the "super high-speed growth" of the past two years. "We are confident we can fulfil our trade targets for the year," he said.

Mr Hu also said China was working to narrow differences over terms for its entry to the World Trade Organisation and hoped progress could be achieved during the next working party session due to be held in Geneva in October.

China was committed to continuing trade liberalisation, which saw the average tariff level reduced this year from 35.9 per cent to 23 per cent. Reforms of the foreign exchange system, including steps towards currency convertibility were part of this process.

Mr Hu said China was trying to complete a "programme of work" mapped out by the last WTO working party session in March, but he added: "Trade liberalisation can only occur step-by-step. It cannot be completed overnight."

NEWS: INTERNATIONAL

Summit stops short of using force in Burundi

By Michela Wrong and Bruce Clark in London

Warnings by the international community that the Tutsi army's recent coup in Burundi would be met with force appeared to crumble yesterday as a summit of regional leaders agreed only to apply economic sanctions on the East African state.

After five hours of talks in the Tanzanian town of Arusha, a "total economic blockade" of the land-locked nation, whose economy is already in crisis, was ordered by the presidents of Kenya, Rwanda, Tanzania and Uganda, prime ministers of Ethiopia and Zaire and head of the Organisation of African Unity.

Although delegates held out the possibility of tougher action if sanctions failed, there was no immediate move to revive a month-old plan to send East African troops to halt bloodletting by Hutu rebels and the army.

That proposal, supported by Mr Sylvestre Ntibantunganya, the deposed Hutu president, is fiercely resisted by Major Pierre Buyoya, the new Tutsi strongman, raising the unpalatable prospect of East African forces clashing with the army.

Analysts said the East African climbdown reflected reluctance among western nations, particularly the US, which would be expected to fund and provide logistics.

Repeated calls by Mr Boutros Boutros Ghali, the United Nations secretary general, for members to prepare a peace enforcement operation – imposed on a state – have won a consistently disappointing response.

Experts estimate the operation would cost $2bn-$3bn and need 25,000 troops. No western power has offered to take the lead and so far only Tanzania, Uganda and Ethiopia have offered manpower: just 3,000 men each.

UN officials said western countries were hoping Major Buyoya, regarded until last week as a moderate, would be able to unblock the crisis, negotiate a ceasefire and be persuaded to approve a more modest UN operation.

But there were already signs Major Buyoya's attempts to woo members of Frodebu, the mainly Hutu political party, into a new government were failing. There were also signs of a gathering refugee exodus as violence continued in the interior.

President Pasteur Bizimungu of Rwanda, an ethnic Hutu, waves after the summit in Arusha, Tanzania, where African leaders agreed to impose sanctions on Burundi Reuter

INTERNATIONAL NEWS DIGEST

Fifteen die in train stampede

South Africa last night set up an inquiry after 15 commuters were killed in a stampede when security guards using electric cattle prods attempted to stop them boarding an early morning train to Johannesburg. President Nelson Mandela described the incident at Temhisa township, north east of Johannesburg, as a national tragedy. He appealed for calm after angry crowds set fire to a ticket office and threw rocks at police and journalists.

The Metropolitan Railway Company said the guards, from a private security company, had been employed to prevent people travelling without tickets, but denied they had been authorised to use electric cattle prods. Most of the deaths occurred when people attempting to reach the train were crushed by those being forced back by the guards. Some fell from an overhead bridge on to the track.

The commuters include many unemployed who go to Johannesburg each day in search of work and claim they cannot afford the fare.

● Pressure on the rand intensified yesterday, forcing the currency below R4.50 to the dollar for the first time since early May. The R0.05 fall on the day appeared to have been sparked by heavy dollar buying in London, and dealers said it was probable the rand would soon test its lowest ever level of R4.57 against the US currency. *Roger Matthews, Johannesburg*

Greenpeace reveals asset detail

Greenpeace, the environmental pressure group, yesterday acted to fend off accusations of a lack of transparency by disclosing more details of assets and income than previously. Worldwide income last year reached $152.8m, up 11.2 per cent on the figure it gave for 1994. The rise came in spite of a decline in support from US contributors, its largest source of funds after Germany.

Year-end assets were given as $133.6m, up by $10m. Previously it had shielded details of these, which include its Rainbow Warrior fleet, fearing they might be subject to seizure in some countries. *Gordon Cramb, Amsterdam*

Algerian newspaper ban ends

An Algerian judge yesterday lifted the ban on the French language daily La Tribune and ordered the release of its cartoonist, Mr Chawki Amari, accused of mocking the Algerian flag. Mr Amari was given a three-year suspended sentence, while the newspaper's director, Mr Kheireddine Ameyar, received a one-year suspended sentence. The editor, Ms Baya Gacemi, was acquitted.

Mr Amari has spent three weeks in jail. His case generated an outcry from human rights organisations and criticism from local opposition groups. Observers said yesterday the suspended sentences would force the newspaper to increase self-censorship. *Roula Khalaf, London*

Desert sanctuary for US troops

About 4,000 US troops stationed in Dhahran and Riyadh will be moved to a desert air base south of Riyadh under plans worked out by US and Saudi officials, the Pentagon said yesterday. The move, involving all US air operations in the kingdom, would cost about $200m, shared equally by the US and Saudi Arabia. US Patriot batteries will stay in Dhahran, but their crews will move out of the Khobar Towers, where a bomb last month killed 19 Americans. The estimated 500 Patriot crew members will be housed at the King Abdul Aziz air base in Dhahran, which is better protected against attack than Khobar Towers, where terrorists parked a truck bomb and tore the front off an apartment building. *AFP, Washington*

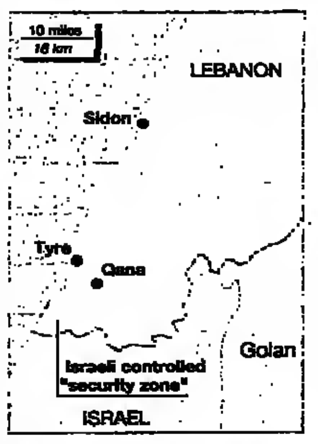
Netanyahu toys with 'Lebanon first' policy

David Gardner, Middle East Editor, analyses what lies behind the thinking of the Israeli government

When Mr Benjamin Netanyahu was elected prime minister of Israel at the head of a hardline coalition two months ago, Lebanon was about the only Arab country which took in its stride what was regarded as a setback for Middle East peace efforts.

From prime minister Rafiq al-Hariri to the leadership of Hizbollah, the Shia Moslem fundamentalist militia fighting the Israeli occupation of south Lebanon, it was noted that both the 17-day bombardment of Lebanon in April and the Israeli blitz in July 1993 were launched by the outgoing Labour-led Israeli government, the architects of regional peace arrangements which have excluded Lebanon.

This week, as US and French mediators have been trying to relaunch negotiations between Israel and Syria, it is emerging that the Netanyahu government is considering the withdrawal of Israeli forces from Lebanon. It is also becoming clear, however, that it is proposing terms that neither Lebanon nor its Syrian overlord – with 40,000 troops stationed on Lebanese soil – can accept.



During the negotiations which eventually halted the fighting in April, one proposal, canvassed by France, was that Israel would gradually withdraw its forces from the so-called security zone it occupies in south Lebanon. It would be replaced on a phased basis by the Lebanese army, reconstituted after the 1975-90 civil war in Lebanon. Hizbollah, the only civil war militia which Syria did not disarm when it moved in to end the sectarian warfare in Lebanon, would be stood down as part of the deal.

According to aides to defeated prime minister Mr Shimon Peres, this idea was to be resuscitated had he won the election. But, as senior Lebanese officials were aware and Israeli governmant officials acknowledged immediately after the elections, the new Netanyahu team was also looking at the withdrawal option.

Mr Netanyahu, leader of the right-wing nationalist Likud and now in alliance with religious fundamentalists, stated before and after the election that he rules out the return of the Golan Heights, conquered in the 1967 Arab-Israeli war, to Syria.

This is Syria's main peace demand, fitting within the "land-for-peace" formula underpinning all advances towards peace between Israel and its Arab neighbours.

In order to prod the Israelis, Damascus has licensed Hizbollah as a national resistance movement to the occupation of south Lebanon, and prevented Beirut from entering separate peace talks with Israel. As seen from Damascus, Hizbollah's role is to fight for the return of the Golan Heights, rather than the 12 per cent of Lebanon held by Israel. As Haaretz, the leading Israeli daily, summarised it last week, "the Syrians have no reason to give up such a bargaining card, especially opposite an (Israeli) government that declares it will not come down from the Golan Heights".

The Hariri government has little option but to concur with this view. But another matter altogether is Israeli compliance with UN Security Council Resolution 425. This was passed in 1978 after Israel's first invasion of Lebanon, and calls for the completa and unconditional withdrawal of Israeli forces. It is not, therefore, a separate peace treaty with Israel.

Such a move, moreover, could have attractions for Israal. The embroilment in Lebanon has been unpopular with Israelis ever since the 1982 invasion. Far from securing Israel's northern border, the "security zone" provides a steady flow of Israeli casualties which is rising as Israel's client militia, the South Lebanese Army, is crumbling.

Second, if the Lebanese army were to replace Hizbollah on the frontier, this would not only be popular in Israel. It would enable Mr Netanyahu, who has set his face against "land-for-peace", to present himself internationally as a peacemaker. Third and perhaps most enticing, Israel could corner Syria, which could hardly object to Israel complying with a unanimous demand of tha Arabs as well as the UN.

However, Mr Netanyahn and his advisers appear to have reached too hard for this latter prize. Details of the proposal, published in the pan-Arab daily Al-Hayat on Tuesday, indicate that Israel wants to move beyond Resolution 425 and tie withdrawal to the opening of peace treaty negotiations with Lebanon, thereby splitting it off from Syria. Mr Yitzhak Mordechai, Israeli defence minister, told a parliamentary committee yesterday that withdrawal would also be contingent on Syrian troops leaving Lebanon.

Under the 1989 Taif accord which ended Lebanon's civil war and sanctioned Syria's presence in Lebanon, Damascus should by now have pulled back its troops to the Bekaa valley adjoining the Syrian border.

The Israeli proposal, moreover, is a presentational disaster. Government and presa bave duhbed it "Lebanon First" – in other words, "peace with Lebanon and then we'll see abont Syria and the Golan". This is a conscious echo of the "Gaza First" policy with the Palestinians, whereby the PLO started its march towards an independent state on the West Bank and Gaza by first taking possession of the then unpoliceable and poverty-stricken enclave of Gaza. Palestinian and Arab sceptics at the time called the policy "Gaza First and Last", which view they now ruled out a see as vindicated.

Yet the attractions of withdrawal for Israel remain. The alternative is more conflict with Hizbollah and the constant threat of escalation which risks bringing Israel into direct conflict with Syria.

Unions warn Fernández on salary cuts

By David Pilling in Buenos Aires

The honeymoon enjoyed by Mr Roque Fernández, Argentina's new economy minister, looked yesterday as if it might be short-lived as unions issued warnings and congressman prepared to scrutinise his coming package of fiscal measures.

The CGT union congress said it would not tolerate an assault on wages and job security by the new monetarist minister. Mr Fernández is likely to faca opposition from unions and legislators, increasingly concerned at stubborn recession and record unemployment.

The CGT on Tuesday ratified a general strike set for August 8, originally called to oppose salary cnts planned by Mr Fernández' predecessor, Mr Domingo Cavallo, who was sacked last Friday. Mr Fernández angered union leaders by refusing to scrap these cuts, which will end the tax-free status of luncheon and supermarket vouchers and trim wage supplements.

Other measures being considered to control the growing fiscal deficit, expected by many analyats to reach \$5bn this year, are further spending cuts, a reduction of export subsidies, the elimination of handouts to private operators of road and rail networks, and possible changes to fuel taxes.

The new minister also promised a more effective crackdown on tax evasion, saying evaders must be jailed.

Mr Fernández is expected to announce his fiscal package later this week, before the arrival on Monday of an International Monetary Fund mission. The \$2.5bn deficit agreed with the IMF for the whole of 1996 has already been overshot, and Mr Fernández will need to present a concrete plan to persuade the Fund to extend a "waiver" and to set new, more realistic fiscal targets.

Tha honeymoon being enjoyed by Mr Fernández, the product of fears by legislators that a messy transition could disturb markets and curtail Argentina's access to international funding, should last through August but will begin to evaporate in September, said Mr Rosendo Fraga, a political analyst. But Congress may become less co-operative when confronted with what are expected to be tough proposals from the orthodox Mr Fernández.

At the economy ministry yesterday, Mr Fernández formally appointed his new team of mainly Chicago-trained economists. Such was the extent of personnel changes that security guards in the building several times denied access to the new – unrecognised – officials.

The poverty challenge for Ecuador's populist

Sarita Kendall on the task awaiting the president-elect who says 'the poor come first'

The poor Ecuadorean families whose houses dot the steep volcanic slopes above southern Quito have magnificent views but are swept by icy, dusty winds. When they first occupied the area there were no buses, the water trucks could not get to the top of the *barrio* and electricity was pirated.

Ten years later these problems have been solved and telephone lines are edging up the mountain. But three or four generations are crammed into the small houses, teenagers have dropped out of school to join the informal workforce and many families cannot pay their service bills.

These are the peopla who have their hopes pinned on Ecuador'e president-elect Abdalá Bucaram.

Mr Bucaram has already shown that he can reach the poor with music and messianic messages but when he takes office on August 10 he will have to make good on his promises.

Since his election victory on July 7, Mr Bucaram has made some surprisingly conservative choices for his economic team, as well as warning Ecuador that the next few months will be difficult.

But he has repeated that, in his government, "the poor come first".

Between 4m and 8m of Ecuador's nearly 12m people live in poverty, depending on how you define poor. A study by the World Bank calculates that 1.5m people – just more than 12 per cent of the country's population – are so poor that they "cannot meet their nutritional requirements even if they spend everything they have on food".

The study points out that higher economic growth rates could help reduce poverty, but that growth alone is not enough.

"The poverty problem isn't just a question of how many people are poor," says economist Alberto Acosta, director of the Latin American research institute Ildis. "The point is that poverty has been increasing steadily, that income inequalities have got worse with development."

A paper published by the UN Development Programme Poverty Alleviation and Social Development project based in Quito argues that worsening income distribution has accompanied market-oriented economic reforms in nearly all Latin American countries.

In addition to raising growth above the 4 to 5 per cent level, which would allow per capita growth rates of 2 to 3 per cent, the UNDP suggests several priority areas for alleviating poverty. These include better access to education and training, fostering small and medium enterprises and designing social policies specifically for the poor.

Mr Bucaram's flamboyant campaign offers ranged from higher wages to spending 30 per cent of the budget on education and building thousands of kilometres of roads. Although even he has admitted that some of this was "symbolic", he is inheriting a more solid economy than most of his predecessors and should be eble to launch social programmes before patience begins to wear out.

Bucaram: the hopes of the hillside poor rest on his shoulders

Ecuador's economy grew 2.3 per cent in 1995 and is not expected to be any better this year. Annual inflation is about 24 per cent and most macroeconomic indicators are fairly healthy, which means that the tough economic measures with which most Ecuadorean presidents have to start their terms will not be necessary.

"It should be possible to reverse the poverty trend," says an international economist in Quito. "Bucaram has the edvantage of having won now – Ecuador has lagged behind the region in liberalisation and can learn from tha mistakes made elsewhere."

Mr Bucaram has promised to extend social security coverage to peasant families. Poverty is worst in rural areas and especially high among Andean Indians, who farm small plots on marginal land and are paid lower wages than non-Indians. The president-elect is proposing to set up a ministry for Indian and black affairs.

Improving teachers' salaries and school attendance rates were also part of Mr Bucaram's platform and Ms Rosalie Arteaga, vice-president elect and former education minister, is expected to make up a strong social team. In Ecuador, as in most Latin American countries, social policy has normally taken a back seat.

Mr Bucaram has also promised to do something about income tax evasion, which is calculated at more than 50 per cent, to generate funda for sociel projects. Although experts consider that it would be far more effective to concentrate on collecting sales taxes, Mr Bncaram supports the move to do away with compulsory tax receipts on the grounde that the informal economy must be protected.

This may have seemed an easy policy choice from the campaign platform, but will undoubtedly look more complex from the presidential palace after August 10.

FBI and media spotlight Atlanta guard

By Patti Waldmeir

Federal Bureau of Investigation agents yesterday used a police dog to search the home of an Olympic security guard who has emerged as a suspect in last weekend's bombing at Centennial Olympic Park in Atlanta which led to two deaths.

Hailed as a hero for having alerted police to the presence of the bomb, and preventing further bloodshed, Mr Richard Jewell, the guard, was yesterday being treated as a suspect not only by the FBI, but by the American news media. Scores of journalists camped out outside the 33-year-old guard's flat, where he lives with his mother.

US television networks provided blanket coverage of the FBI investigation, showing live footage of agents in white overalls towing away Mr Jewell's pick-up truck, clearing his apartment complex of residents, drawing a mobile crime lab up to his apartment door, and entering his home.

Mr David Tubbs, the FBI spokesman, stressed that Mr Jewell had neither been charged nor arrested. He said the search of the security guard's flat, for which the FBI had obtained a warrant, was "part of an ongoing investigative process."

Despite the FBI's disclaimers, television networks carried extensive footage of interviews with Olympics epectators in which they condemned Mr Jewell for causing the blast.

Mr Jewell became a hero overnight because he was the first to alert police to the presence of the bomb. At that tima, police on the scene had not been notified of an earlier warning call to the 911 emergency services.

Mr Jewell's face had already become familiar from newscasts just after of the blast, as the American media feted him as a hero. "I just hope we catch the people that did it," he told a television interviewer on the day of the bombing.

Weak spending curbs Canada's GDP

By Bernard Simon in Toronto

Canade's gross domestic product grew by a modest 1.4 per cent in real terms in the year to May, with strength in exports offset by weak consumer and public spending.

According to Statistics Canada, the growth rate was 0.2 per cent in May. While this figure was slightly below economists' expectations, it confirmed forecasts of gradual, non-inflationary growth for 1996 as a whole.

Ms Sherry Cooper, chief economist at Nesbitt Burns, a Toronto securities firm, yesterday predicted second-quarter growth would reach an annual rate of 2.5-3 per cent. "Second half prospects remain solid, amid motoring US growth, Ontario tax cuts and lower interest rates," Ms Cooper said in a report.

However, Richardson Greenshields, another securities firm, predicted a etrong rebound might be delayed until 1997 and 1998, with this year's GDP likely to expand by only 0.7 per cent.

The mining and natural gas sectors were especially buoyant in May. Manufacturing output, which rose 0.2 per cent, was held back by the weak electronics industry.

The public sector, squeezed as the federal government and the ten provinces seek to bring down their budget deficits, saw output shrink by 3.2 per cent in the year to May.

Richardson Greenshields forecasts e C\$3bn (US\$2.1bn) current account surplus in 1997, compared with a C\$7.2bn shortfall this year.

The strong trade performance and weak inflation rate have given the Bank of Canada the rare luxury of being able to loosen monetary policy independently of the US Federal Reserve, without putting pressure on the Canadian dollar.

Canadian banks at presentcharge a prime lending rate of 6.25 per cent, compared with 8.25 per cent south of the border.

ATLANTA OLYMPICS

Islam's women run up against code of Koran

Algeria is in the enviable position of being the favourite in both tha men's and the women's 1500 metres races. The men's world champion, Noreddine Morceli, and the women's defending Olympic champion, Hassiba Boulmerka, both run in the semi-finals today in Atlanta. Same country, same race, but a world apart.

Morceli is a hero in his homeland, but Boulmerka has been the object of death threats. After her victory in last year's world championships in Sweden, she returned home to jeers in the streets.

Naturally, both Algerians will run in shorts, yet by doing so Boulmerka will continue to enrage those she calls "fundamental delinquents" who consider it indecent that she show her legs.

No such problems in tha US, where women such as gymnast Shannon Miller and swimmer Amy Vao Dyken have dominated the headlines. Gender politics is e serious business here. A US-based pressure group, Atlanta Plus, tried to encourage the International Olympic Committee (IOC) to exclude countries who discriminate against women. But the current situation in the US leaves one wondering whether lobbying may be needed on behalf of US male athletes.

Most US sportsmen and women are nurtured by university athletics departments. Since 1972, federal law has insisted the male to female ratio of etudent athletes must match the overall ratio of men to women students at each college.

Research suggests that six men to every four women will participate in US American college sport, no matter how much women are encouraged to take part. The only way for college administrators to avoid lawsuits has been to cut support for male sports. In 1975, there were 133 men's college gymnastics teams; now there are 32. Since 1982, 64 universities have eliminated men's swimming, including the men's programme at UCLA that produced 13 Olympic gold medals.

Twenty-seven countries, including Saudi Arabia, sent no women to these games because Islamic dress codes prefer a *woman cover her* body from head to toe, and wear a burkha (veil). Iran, however, was not one of the countries. In the opening ceremony riflewoman Lida Farhamn carried the flag of her country, but she dressed "decently" according to the code, with only her face visible as she led 25 men into the stadium.

Had she qualified for a more vigorous sport, 'violation' of dress codes would have made her participation unlikely. The Iranian women's canoeing team, for example, qualified for the games but were not allowed to compete.

Calls continue from pressure groups for the IOC to make a formal statement on the possible exclusion of countries who discriminate against women. Then again, tha IOC itself is no model of affirmative action: of its 106 members, only 7 are women.

I called the office of the Algerian national Olympic committee, for an official statement on Boulmerka's position. The spokesman on the phone sighed wearily, and assured me there was no "distinction in Islam between men and women," but that the problem is the interpretation of the Koran by "undemocratic leaders." As tha technical director of an Algerian sports club, he told me he has over six hundred girls who want to follow Boulmerka's example.

When I asked him about tha death threats against Boulmerka, and the fact she felt compelled to prepare for these games in Cuba, he sighed again: "You must ask her coach." I asked him, was there any special help for women athletes in Algeria? "Boulmerka is Algerian, and we are proud of her. But there is no special help for women. At the end of the day she must have a baby. If she doesn't have a baby, then she is like a man."

Caryl Phillips

World 1,500m champion Hassiba Boulmerka looked to be in trouble in the first round yesterday, despite qualifying for today's semi-final in ninth place, AFP reports. The Algerian, who recorded 4:09.96 to qualify in ninth place overall, has only had one run this season. She has reportedly been struggling with sore tendons and has been training in secret but ran in France earlier this month.

Algerian Hassiba Boulmerka wins the women's 1500 metres in Sweden last year. Inset: compatriot Noreddine Morceli, men's 1500 metres champion. Morceli is a hero back home, while Boulmerka has had death threats Empics

A Herculean performance, with a little help

The Greeks have made up for losing the centennial Olympics to *Atlanta* by putting on their best ever performance in the modern games. With four gold medals and three silver, the Greek team has done better than even their most fervent supporters could have imagined.

Until last week, Greece had brought home only three gold medals in more than 30 years, with one put down to luck, another to privilege, and the third to an import.

Voula Patoulidou won the 110m hurdles in Barcelona in 1992 after the US favourite Gail Devers tripped and fell. She claimed she did not know she had won: "All I was trying to do was to get past my rival from Bulgaria."

The sailing gold won by former King Constantine and his crew at the Rome Olympics in 1960 is rarely mentioned now Greece is e republic. This time, however, there is no doubting the medal-winners' achievements, not least because all showed unusual determination, even by the standards of world-class athletes, in securing a place on the Greek team.

Pyrros Dimas, the light-heavyweight weightlifter who retained the Olympic title he won in Barcelona, literally hiked into Greece from Albania after its Stalinist regime collapsed in 1991. His claim of belonging to Albania's ethnic Greek minority qualified him to start competing immediately.

Greece's three silver medallists at Atlanta also started their weightlifting careers as Albanian citizens. Kakhi Kakhiashvilis, the heavyweight weightlifter born in the former Soviet republic of Georgia, retained the Olympic title he won at Barcelona too. A Greek mother meant he was welcomed in Athens after state support for sports collapsed in Georgia.

Nor is it only the weightlifting cootestants who started out as expatriate Greeks with something to prove. Their ebullient coach, Mr Stavros Iacovou, is a migrant himself. He says he was able to make the team feel at home in Atlanta because he used to run a pizza parlour there.

But even Greece's native-born gold medallists hed to overcome unusual obstacles to secure e team place. Vassilis Melassinidis, who triumphed unexpectedly in the individual floor exercise, was considered politically unreliable by some selectors because of friendship with gymnasts from Greece's traditional enemy, Turkey.

Nikos Kaklamanakis, who won a windsurfing gold, said he was unpopular with Greek sports officials because his aunt, e Socialist cabinet minister, had tried to overcome their objections to including him in the team for the Seoul Olympics.

It was only after he won the world championship in the Mistral clasa that he felt sure of being allowed to participate in Atlanta.

Kerin Hope

ATLANTA DIGEST

Bubka out of pole vault

The Olympic pole vault competition was hit by a double sensation yesterday as world champion Sergei Bubka withdrew from the competition, while arch-rival Okkert Brits crashed out. The South African failed his third attempt at 5.60m, and was still holding his head in his hands, when it was announced that Bubka, who won his fifth world title in a row last year, had quit the qualifying round without taking a vault. Bubka, who has broken the world record 35 times indoor and outdoors and won the gold in 1988, was said to suffer from ankle problems. Bubka failed at the Barcelona Olympics four years ago. *AFP*

Power blackout stops table tennis

An official with a fetish for saving power caused a blackout in the table tennis arena which stopped the men's singles quarter-final between China's Wang Tao and Vladimir Samsonov of Belarus. A venue manager at the Georgia World Congress Centre said someone flicked a switch in an adjacent hall causing the lights to go out on Wang and Samsunov. "I think you can say his head will roll," said the manager yesterday, who asked not to be named. "The television boys were very unhappy about the delay." Wang, who was losing when the lights went out, went on to win the match. *AFP*

Irish runner fails drug test

Irish 5,000 metres runner Maria McMahon has failed a drug test, the first doping case in track and field at the Atlanta Olympics, Irish officials said yesterday.

She was said to have taken a painkiller that showed up in the first test. The team are oow awaiting confirmation from the second test. *Agencies*

Results

Badminton

Women's doubles final: Fei Ge and Jun Gu (China) beat Young Ah Gil and Hye Ock Jang (South Korea) 15-5, 15-5.
Men's doubles final: Rexy Mainaky and Ricky Subagja (Indonesia) beat Cheah Soon Kit and Yap Kim Hock (Malaysia) 5-15, 15-13, 15-12.

Tennis

Women's singles semi-finals: A Sanchez Vicario (Spain) beat J Novotna (Czech) 6-4, 1-6, 6-3.
Men's doubles semi-finals: T Henman and N Broad (Britain) beat M-K Goellner and D Prinosil (Germany) 4-6, 6-3, 10-8.

Cycling

Men's road race: 1, P Richard (Switzerland), 2 R Sorensen (Denmark), 3 M Sciandri (Britain).

Today's highlights

Men's decathlon, final day
Men's and women's 200m finals
Men's and women's badminton singles finals
Baseball, semi-finals (Cuba v Nicaragua, Japan v US)
Basketball semi-finals (US v Australia, Yugoslavia v Lithuania)
Women's football, final (China v US)
Women's hockey (bronze: Holland v Britain, gold: Australia v S Korea)

Firms to regain greater decision-making powers at expense of executive directors

Stock Exchange boosts members

By John Gapper, Banking Editor

Members of the London Stock Exchange are to regain a bigger say in decision-making as a result of a review of corporate governance that followed the sacking of Mr Michael Lawrence, the exchange's former chief executive.

Mr John Kemp-Welch, the exchange's chairman, yesterday disclosed a series of measures that will partly redress a shift that took place in 1994 under Mr Lawrence towards greater power being exercised by executive directors.

The number of exchange "practitioner committees" drawn from member firms will be reduced from 23 to 11, and each one is to be chaired by a representative of a member firm, rather than by one of the executive directors.

Mr Ian Plenderleith, a deputy chairman of the exchange, who conducted the review with Mr Ian Salter, the other deputy chairman, said the changes were to ensure members' views were given adequate weight. "We want to ensure that things cannot go off track again in the way they did last year," said Mr Plenderleith. He said the exchange had to be "properly responsive to members", although their views should not be "followed blindly".

Mr Lawrence was asked to resign in January after he clashed with some of the largest member firms of the exchange over his proposals for share trading reform. Mr Gavin Casey of Merrill Lynch is to take over as chief executive shortly.

Mr Plenderleith and Mr Salter argued for the retention of an executive committee running the exchange's affairs day-to-day, but said the influence of the practitioner committees on the exchange's governing board should be increased.

Measures to achieve this will include:

● A two-tier structure of advisory committees, headed by a primary markets committee and a secondary committee. Under the latter will be four market committees, for domestic equities, international equities, gilts, and fixed interest.

● Five sectoral committees alongside this, covering the current areas of listed companies, institutional investors, the Alternative Investment Market, and regional chairmen, as well as a new committee for private investors.

● All policy issues put to the board will be debated before this in the relevant committee. The chairman of the committee, if he or she is not already a member of the board, will attend the board meeting to discuss it.

● The exchange's "key firms" will be given the right to serve on committees regularly.

Mr Lawrence argued to the House of Commons Treasury committee that the exchange's full-time managers did not currently have enough powers to do their jobs properly.

MPs attack BBC chiefs for World Service tactics

By Bruce Clark, Diplomatic Correspondent

An all-party committee of MPs yesterday deplored the failure of the BBC's management to consult the Foreign and Commonwealth Office or its own senior employees before embarking on a plan to reorganise the World Service.

A report by the House of Commons foreign affairs committee was a fresh rebuke to Mr John Birt, the BBC director-general, who has laid out proposals for closer links between the World Service and home broadcasting.

The report follows last week's launch, at the FCO's insistence, of a joint study by the BBC and the diplomatic service to examine the impact of Mr Birt's ideas.

In a study of the spending plans of the FCO, which funds the World Service, the committee said the diplomatic service would need to "watch closely" to see that World Service standards were maintained.

Echoing the FCO's complaint that BBC management was late in informing other interested parties of its plan, the report said: "Not to involve either World Service management or the FCO in the decision to apply the restructuring to the World Service was, in our view, a misjudgement."

In a reply to the report, the BBC said its director-general and governors had repeatedly made clear their "absolute commitment" to maintaining the quality and integrity of the World Service. But there were "significant benefits" to be gained from the restructuring plan, including an improvement in quality and a reduction in costs.

Referring to other areas of FCO spending, the report said Britain's representation overseas was in danger of being compromised by the spending cuts. Spending on the diplomatic service, which amounted to £1.34bn ($2.09bn) in 1995-96, is to be cut by £250m over the next three years, the committee noted.

While a recent expenditure review had outlined savings of £49m to be made between now and 1999, the panel said, "it is clear that further cuts will be required... It is difficult to see where these could be made without great harm to the UK's diplomatic effort".

Editorial Comment, page 9

Union leader snubbed as postal dispute continues

Mr Alan Johnson, modernising general secretary of the Communication Workers union, is as bitterly disappointed as Royal Mail executives at the overwhelming rejection by his executive of the comprehensive deal he negotiated to end Britain's postal dispute.

He was involved in an angry and tortuous confrontation for eight hours as he tried unsuccessfully to persuade hostile executive colleagues to accept a settlement that he believed met all their objectives and which the membership would accept as "honourable".

But it was Mr John Keggie, executive member from Scotland and self-styled leader of the union's unofficial opposition, who appeared to be in charge. "He has acquired astonishing power with his Shi'ite Moslem approach to opposing team-working," said one union official last night.

Under his influence the executive not only threw out Mr Johnson's brokered deal but refused to allow the general secretary to call a ballot vote of the members to find out what they think.

Bitterly disappointed: Alan Johnson saw his deal rejected

The details of the rejected deal appear to represent a remarkable climbdown by Royal Mail with extraordinary concessions made.

Union negotiators told the executive: "Few unions have never been able to end a dispute having gained so much."

The package contained a boost of between 5 per cent and 37 per cent in current basic pay rates with a new minimum hourly rate of £5.28 ($8.23).

It also had an increase in the size of pensionable pay of between 9.3 per cent and 30 per cent and the creation of a singla grade for postal workers. In addition there would be a reduction of 90 minutes in the working week.

Also in the package was a long-term aim of the union, the phased introduction of the five-day working week with no productivity strings attached by 2000. There would be a guarantee of full-time employment and job security for all postal workers and no compulsory redundancies to 2000. The deal also acknowledged there was "no agreement to team-working".

But the union document says: "Colleagues are aware that, having agreed the status quo was unacceptable, we were seeking to establish joint objectives with an independent facilitator used to help construct a new way of working through full participation and careful evaluation with no pre-determined outcome."

There was to be no team-working across Royal Mail for at least 15 months "giving plenty of opportunity for involvement and debate within the union" says the deal. It also spells out how Royal Mail intended to uphold delivery standards. There was to be no holding back of mail for second delivery.

Royal Mail management privately fears it may have given away too much and convinced the union hardliners they can win a total victory.

Robert Taylor

Share value loophole targeted

By Jim Kelly, Accountancy Correspondent

Regulators are preparing to crack down on companies that use an accounting loopbole to inflate profits by under-valuing shares given to executives.

It is understood that some management consultants have continued to sell controversial remuneration schemes to companies despite opposition from auditors.

As a result, the Accounting Standards Board said yesterday that its "urgent issues" task force was developing a draft rule to close the loophole. If it goes ahead, the rule will be legally binding.

The companies involved want to give staff and executives free shares as part of their pay but only show the nominal, rather than the fair, value of the benefit in the accounts.

Most auditors think such methods fail to give shareholders a "true and fair view" of a company. They believe companies are tempted to alter the mix between share options and salary to inflate profits in crucial years – for example, when continuing profitability is under threat.

Some auditors complain that if they challenge clients over the practice thay are asked to point out the rule that explicitly forbids it.

Current rules say share options can be shown at nominal value when complicated conditions govern how, and when, they can be exercised. But the schemes in question have simple conditions.

The task force has also published a draft rule on "grossing up" – an increasingly common treatment that is used by some banks and is widespread in the leasing industry. The task force proposes the practice should be outlawed.

Some companies adjust the tax charge on income in their accounts to the standard rate even when it is in fact nil, or less than the standard rate. As a result, pre-tax profits are increased. The profit after tax is not affected.

UK NEWS DIGEST

Pressure mounts for handgun ban

The government was last night under pressure to legislate against handguns in the wake of the Dunblane massacre despite a recommendation by Conservative members of a parliamentary committee that a ban on private ownership was impracticable. Senior Conservatives said the leaking of a report by the home affairs select committee of 11 MPs, in which the five opposition Labour party MPs dissented from the findings, was politically embarrassing. Families of the 16 victims of the shooting expressed dismay at the views of the Tory MPs, which was welcomed as "sensible" by the National Pistol Association.

The government has said it plans to wait for the outcome of Lord Cullen's inquiry into the tragedy before deciding what action to take, although officials said some form of immediate legislation was inevitable. *John Kampfner, Whitehall*

■ ELECTRICITY

Price controls anger NIE

Northern Ireland Electricity yesterday threatened to force a monopoly inquiry after the industry regulator unveiled a much tougher than expected set of price controls for the Belfast-based company.

Offer, the electricity watchdog, announced controls that would cut electricity charges in the province by 12.5 per cent and reduce NIE's revenues by £60m ($93.6m) a year from 1997.

In the company's key electricity transmission and distribution business, the regulator ordered charges to be cut by 30 per cent. The price review, one of the toughest imposed in the industry, saw NIE's share price tumble 53p to 353p. The company said Offer's proposals would have "substantial implications" for network reliability, customer service and capital investment, and might force the company to abandon its planned buy-back of shares. *Financial Times Reporters*

■ WORKS COUNCILS

British Steel in accord with EU

British Steel is to set up a consultative works council for its 52,700 employees, including the 85 per cent who work in the UK, the company announced yesterday.

Under the European Union directive that comes into force on September 22, the company is not required to cover its British employees because of the UK opt-out from the social chapter of the Maastricht treaty.

But British Steel said it wanted to "build on its strong tradition of consultation" with all of its workers and create a flexible works council that suited its business circumstances.

Robert Taylor, London

■ HOUSING

Demand 'outstrips planned sites'

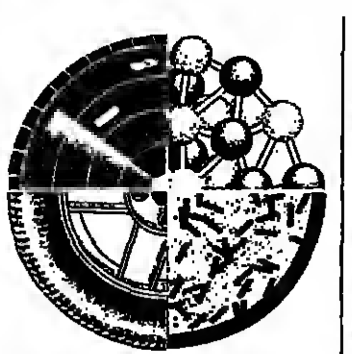
Government plans to protect the countryside by building 2.2m homes on former industrial and urban land are unachievable, according to a national study published yesterday.

Ministers want at least half of the 4.4m homes they estimate need to be built in England by 2016 to be developed on the sites of earlier developments, known as brown land.

However, a series of regional investigations, conducted by the Town and Country Planning Association, has concluded that there will be insufficient "acceptable" brownfield sites to meet demand. *Andrew Taylor, London*

TECHNOLOGY

Worth Watching · Vanessa Houlder



Bone cement for osteoporosis

In a move that could have profound implications for the treatment of osteoporosis and other bone-related ailments, the US Food and Drug Administration has cleared a bone cement called BoneSource, *writes Victoria Griffith*.

Made by US-based Orthofix, the calcium phosphate-based paste will be the first product of its kind available in the US market. Currently, the cement may be used only to repair cranial defects. However, researchers are hopeful that it will soon join the arsenal of treatments for osteoporosis, a debilitating bone loss that leaves the frames of its victims – usually elderly women – in a dangerously fragile state. Other future applications may include dental work and fractures.

Although the company says the paste is capable of expansion, it is uncertain whether it can fully accompany the growth of a child recipient.

Because its composition is very similar to that of natural bone, Orthofix says the product has minimal risk.

Orthofix Inc: US, tel 214 9188300; fax 214 9188490.

Phone calls via the Internet

Making voice calls over the Internet is a cheap but cumbersome procedure that requires both ends to use PCs, pre-arrange the call and use the same software.

IDT, based in New Jersey, has eliminated some of these hassles by allowing the person receiving the phone call to use a conventional telephone.

Its Net2Phone system allows voice data to be carried over the Internet's "packet switch network" until it reaches IDT's US telephone infrastructure. There the signal is converted to tha "circuit switch network" used by telephones, allowing the signal to be received by any phone worldwide. A call from overseas to the US costs 10 cents a minute.

A beta version of the system, which allows users to call any US-based 800 and 888 numbers, can be downloaded from Net2Phone's home page at http://www.net2phone.com. The full version will go on sale in the autumn.

IDT Corporation: US, tel 201 9281000; fax 201 9281057.

Electricity from household waste

Electricity is often generated from the methane gas produced by sewage treatment plants. Thames Water is now adapting the process to treat household waste, in order to generate electricity and cut down its use of landfill sites.

The pilot project involves sifting the rubbish from a local council refuse tip to remove the 50-60 per cent of it which is not biodegradable. It is then mixed with sewage sludge and treated with anaerobic bacteria to produce methane gas. That is used to generate electricity, which can be sold to the grid or used to power the plant.

Thames Water Utilities: UK, tel (0)1734 593396; fax (0)1734 599295.

Computer diagnosis of skin complaints

Healthcare industry pundits often forecast a move from (expensive) hospital care to (cheaper) treatments by general practitioners, *writes Daniel Green*. Later this month, a UK company is launching a personal computer-based CD-Rom to help do that, for skin conditions at least.

The GP types in the patient's medical details, referring to photographs if needed, and the software offers a list of diagnoses from chicken pox to cancer.

The developer, Belfast-based Molecules to Market, says that 20 per cent of GPs' patients have skin problems; half get sent to dermatologists, of which 25 per cent turn out to have been treatable by the GP. So calculating the payback time on the £249 ($295 in the US) price tag for the software should be easy.

Molecules to Market: UK, tel (0)1232 308920; fax (0)1232 308814.

3D graphics may boost PC sales but business users will see little benefit, reports **Tom Foremski**

Lure of the third dimension

Three-dimensional graphics are coming soon to a personal computer near you. Vendors hope this latest technology will boost sales with the enticement of realistic graphics for computer games.

Compaq Computer recently set the pace by announcing that some models in its Presario line of desktop PCs will feature 3D graphics based on the PowerVR graphics chip co-developed by NEC, the Japanese electronics group, and British-based VideoLogic. Because Compaq is the market leader in the PC market, other PC makers will follow with similar systems.

But not all PCs will use the same graphics chip as Compaq. There are about 40 companies offering or planning to offer 3D graphics chips. Microsoft has lent its support with special software called Direct3D that improves the ability of Windows 95-based PCs to display 3D graphics. Some of these 3D-enabled PC models will be ready for the busy Christmas season but the majority will be out next year. They will fundamentally change the basic PC architecture.

The 3D graphics that PCs will offer allow game players to navigate through 3D scenes and peer around and behind objects.

Although 3D graphics have been available on PCs for some time, the graphics are generated using software programs and the PC's microprocessor. This creates graphics that are chunky in appearance and change slowly, making them poorly suited to computer games.

PC makers want to mimic the faster-paced graphics and more realistic 3D effects found in arcade games but that requires the use of an additional chip called a 3D graphics accelerator. This is a specialised microprocessor that does one set of tasks very quickly and very well – in this case creating 3D graphics images.

Although a microprocessor such as Intel's Pentium can be used to generate 3D graphics, the Pentium is designed to perform a range of different tasks and cannot match the performance of a 3D graphics chip.

Intel initially tried to persuade its customers that with the Pentium they would not need a 3D graphics co-processor chip. But it was forced to reconsider this strategy after its customers began buying 3D graphics chips. Earlier this year, it decided to create its own 3D graphics accelerator chip in a joint development agreement with Lockheed Martin.

But with so many companies producing or planning to produce a 3D graphics chip, the market is rapidly becoming very crowded.

"There are a ridiculous number of companies developing 3D graphics chips and only a small fraction of them are going to make it," says Jon Peddie, president of California-based market research firm Jon Peddie & Associates. "The reason there is so much interest in 3D is that it's the next big thing to hype PC sales."

Peddie points out that the eventual winners in tha 3D graphics chip market will be companies such as Intel, Cirrus Logic, S3, and 3Dfx Interactive, and that success will not necessarily be related to the best technology. "It has nothing to do with the best technology but simply who has the best market clout," he says.

In Intel's case, however, it should be a marriage of great technology and market clout. Intel's alliance with Lockheed Martin will produce a 3D graphics chip by mid-1997 that should be able to generate very realistic 3D images.

"Lockheed has by far the best 3D graphics technology. It has been designing advanced flight simulators for more than 20 years. It has the algorithms that are essential in displaying high-performance 3D images and it will be very difficult for competitors to catch up," adds Peddie.

Despite the challenge of competing with Intel, competitors such as European-based SGS-Thomson believe they can find a profitable position in the market. "Intel will be a big player simply because it manufactures a lot of the motherboards PC companies use, but this doesn't mean they will shut out competitors," says Peter McGuinness, a chip design architect at SGS Thomson.

McGuinness points out that although many PC makers buy Intel motherboards, they often buy them without any additional graphics chips so that they can build systems to customer specifications.

SGS Thomson has a joint development partnership with Silicon Valley-based Nvidia to produce the NV1 3D graphics accelerator chip and supplies key customers such as Diamond Multimedia with components for graphics accelerator boards.

McGuinness believes that the NV1 chip will survive any market shakeout because it is cheap – about $30 (£19) – and offers a lot of additional functions, such as audio and video capabilities, which would normally require separate chips and additional manufacturing costs.

Demand for 3D graphics-equipped PCs will be created by the legions of games developers who will produce the games that will sell the PCs. However, developers have been forced to write games that are specific to the hardware configuration of PCs and there have been limitations in Microsoft's Windows operating system.

Picture: SGS-Thomson

Shifting into the third dimension: a conventional image can be manipulated to give 3D effects

PC-based accelerator chips ('000s)

Year	1995	1996*	1997*	1998*	1999*	2000*
Total 3D units	472	7,842	28,268	56,106	89,729	115,643

*Forecast. Source: In-Stat

"Few people write games for Windows because Windows is just too slow," points out Tim Glasser, a computer game designer at San Francisco-based 47Tek. "That will change with the availability of Microsoft's Direct3D."

Direct3D is a software programming interface which Microsoft announced earlier this year. Developers writing to Direct3D's specifications will be able to run their games at a higher performance on any PC that runs Windows 95. Games developers also gain a much larger potential user base and thus more opportunities to sell their games.

But Microsoft is late in coming out with Direct3D, having rushed the announcement to compete with a similar technology announced by Apple Computer, called QuickDraw 3D Rave. Direct3D specifications should be out later this year, but too late for games makers to create games for the Christmas market of 1996. It takes between 12 and 18 months to create a games title.

Without titles to run on their systems, PC makers with 3D PCs will not be able to generate much interest in their systems until Christmas 1997.

Microsoft, however, is not limiting its interest in 3D graphics to Direct3D. According to industry reports, it plans to introduce specifications for a 3D graphics chip that it will license to chip companies. Microsoft's project, code-named Talisman, will offer a chip specification that is designed to outperform current 3D graphics chips.

"Talisman will offer TV-quality graphics and Microsoft is very keen on making the PC a competitor to the TV," says Omid Rahmat, a senior analyst at Jon Peddie & Associates. "But I hear that it will be an expensive chip to produce, with add-on boards costing as much as $500."

Microsoft is expected to unveil Talisman at the Siggraph trade show in the US next month.

3D graphics-capable PCs will make an impact in the home PC market where they will compete more directly with video games console systems for game playing. But business users will see little benefit from such PCs except in niche applications such as architectural walk-throughs where architects can realistically display a 3D building.

Hardly any mainstream business applications require 3D graphics and the 3D chips are not accurate enough to be used in computer-aided design where mathematical precision is the key requirement.

"Multimedia" was a key marketing word for PCs over the past two years. Now consumers must brace themselves for 3D graphics PCs as vendors try to generate customer demand among increasingly computer-literate buyers.

Cinema/Martin Hoyle

Voyage of animated discovery

JAMES AND THE GIANT PEACH
Henry Selick

FLIPPER
Alan Shapiro

BLOOD SIMPLE
Joel and Ethan Coen

LA REGLE DU JEU
Jean Renoir

DRACULA
Terence Fisher

It is the time of year when the cinematic diet consists of re-releases of the cult and the classic, plus new movies for that section of society as unpredictable, incomprehensible and domineering as any alien force from Mars: school children on holiday.

The most trumpeted, praised and generally hyped specimen of family fare opening this week is *James and the Giant Peach*. It will doubtless be a success for sheer hard sell and the classic status of the Roald Dahl children's story on which it is based.

I wish I could like it more. I wish it had warmth as well as technical ingenuity, more spontaneity than calculation. As it is, the result of this mixture of real-life actors and stop-motion animation (i.e. puppets, one of cinema's great turn-offs, as far as this critic is concerned) is formulaic and mechanical. Certainly for children, but children of the computer-wise, video-wise, net-wise and charmless generation.

Perhaps significantly, the human performers, with the exception of young Paul Terry in the title-role, are unable to decide on an acting style. Miriam Margoyles and Joanna Lumley as the wicked aunts veer unsuccessfully between comedy and menace. As the old man with the magic seeds that set the adventure in motion, Pete Postlethwaite is self-conscious to the point of embarrassment (his as well as mine). Flesh and blood is left to fend for itself. The animation is the thing.

As it comes from Henry Selick of *Tim Burton's The Nightmare Before Christmas*, it looks ideal for Dahl's mixture of the sinister and the comic, everyday hilarity or horror elevated to the fantastic. The plot recounts the perilous voyage of young orphan James in a huge peach across the Atlantic to the US, drawn through the air by seagulls on reins of spider's web. This is supplied by one in the fruitful of bugs – *Anglice* insects – which befriend him.

They all prove their worth as well as providing a substitute family (cue for one of Randy Newman's jolly songs). In-jokes include a skeleton pirate crew under the sea which sports both an old friend from *Nightmare* and, I swear, a skeletal Donald Duck.

Indeed, Selick's penchant for the grotesque keeps the winsome at bay. Perhaps too much so. The Jiminy Cricket-type grasshopper, complete with monocle, topper and (on the soundtrack) Simon Callow's pukka Edwardian Englishness, is, with his metallic, multi-visored mug, potentially as unprepossessing as any monster from *Doctor Who*. Susan Sarandon, no less, husks and sings alluringly as the spider.

The puppet persona of little James presents a megacephalic starveling with a worried expression and boot button eyes. The film looks good, with a mad, dreamlike picturesqueness in the English scenes, complete with one of those wayside shrines to the Madonna so abundant in the British countryside.

The giant peach pit (stone to us), where James makes his home in Central Park, resembles nothing so much as a tapering oversized dog-turd. For me that sums up the paradox of this glossy, bullyingly self-ingratiating and unengaging entertainment.

*

Future film historians will note that the 1990s saw an upheaval in conventional movie iconography. Broads are out, bottle-noses are in. *Flipper* is the latest manifestation of this Darwinian struggle and the dolphin wins fins down. Graceless American adolescent, 14 going on 40, stays unwillingly with his inexplicably Australian ex-hippy uncle leading beachcomber life in the Bahamas.

Life is transformed by an orphan dolphin who before you can say tosh is carrying an underwater camera to film toxic waste illegally dumped by fat loud party who drinks Budweisers as nonchalantly as he kills western civilisation's favourite creatures.

All turns out happily, though everyone sheds a tear when Flipper returns to the open sea, presumably disenchanted with the rewards of a piscine investigative reporter (fish, and the occasional rub on the nose).

Alan Shapiro wrote and directed this amiable piece; perhaps a mistake, since the film takes an unconscionable time to get going. Half an hour of mood and scene-setting, an hour before we get serious with toxins. The Bahamas number hormones among their exports, which may explain the American pubescent's sudden conversion to the simple life. Paul Hogan makes a convincing ex-hippy, cherishing a shirt once given to him by the Beach Boys.

*

Blood Simple uncoils its plot with the stylish convolutions of Jacobean tragedy, and much of that form's moral ambiguities. The 1983 film debut of the Coen brothers – Joel and Ethan – caused a stir, justified since, most recently by *Fargo*.

The plot concerns a jealous husband who hires a detective to kill his unfaithful wife and her lover. The hitman shoots the husband instead. The lover thinks the wife has done it and covers up (literally: the image of fresh earth heaving as the not yet dead victim writhes is memorable). Terrible cross-purposes ensue in the atmosphere of film noir nightmare.

Unnerving echoes of *Macbeth* in recurrent bloodstains and constant references to hand-washing. A shot of dawn breaking over a newly ploughed field, furrows perfectly symmetrical but sliced through, somehow violated, by tyre-tracks from the killer's car, would have brought a smile from Hitchcock.

*

Jean Renoir was another film-maker who acknowledged the fine line between farce and murderous tragedy. Perhaps France was unconsciously aware of it in July 1939 and wanted to forget it.

Renoir's *La Règle du Jeu* takes elements of the sexual self-questioning of Marivaux' characters and the speed of a Feydean romp and puts them in an aristocratic house-party, garnished with an awareness of insiders and outsiders, bow to be impervious to the world's perceptions and, of course, the titular rules of the game.

In the midnight garden the mistress even dons her maid's clothes, as in the greatest comedy written about sex and class. But here there is no marriage for Figaro, just a wasteful killing and a properly correct cover-up. Impeccable acting, not least from Renoir himself. No wonder the French booed it in 1939.

*

No such trouble in Transylvania, where every village tavern has its bottle of Gordon's gin (export size) firmly facing camera; where the mountains are painted on and the road to Dracula's castle is littered with peasant corpses much as the M20 is spattered with squashed hedgehogs. But then there is something in Hammer horror's vision of Carpathia that is forever home counties.

The Barbican's summer Hammer-fest opens with Terence Fisher's *Dracula*. In 1958 young romantic interest started at 35, women sounded like clipped repertory actresses and men sounded like Harry Enfield in British Movietone mode.

This version has a high reputation on the strength of Christopher Lee's handsome Dracula and some nice designs (though not the theme restaurant lobby to the count's castle). To keep your illusions intact, knock back the "creepy cocktail" offered in the bar beforehand. Season's treats include *The Gorgon*, *Paranoiac*, *The Nightmare* and rather unkindly *The Eric Winstone Band Show* with Alma Cogan.

Sinister and comic mix: a scene from the hyped 'James and the Giant Peach'

Funds to aid museums

The first government review of the UK's museums for more than 60 years was released yesterday. It envisages big improvements in museums by the time of the millennium, paid for by lottery cash.

The most significant legislative change proposed by Virginia Bottomley, the heritage secretary, would enable the National Heritage Lottery Fund to give grants to museums to help improve public access, through educational projects, training and the use of new technology. At present lottery money can only go towards capital projects.

Bottomley envisages up to £500m in lottery funding flowing into museums over the next four years. This will not be earmarked money: it is just an extrapolation of the present lottery grants to museums, into the future. In the 16 months since the lottery came on stream, museums have been promised £240m, through 140 awards.

Lord Rothschild, chairman of the National Heritage Lottery Board, said yesterday that his trustees are considering bids for £450m from 74 museums. By early next year some big commitments will have been made, with the British Museum and the Victoria & Albert likely to be among the main beneficiaries.

Lottery cash is paying for the transformation of the UK's museums. Annual government funding, at around £230m a year, is static, or falling. Both Lord Rothschild and James Joll, chairman of the Museums & Galleries Commission, made strong pleas yesterday that the government should not attempt to use the lottery to justify cuts in direct funding.

The MGC has been given an enhanced strategic role in raising the quality and profile of museums, but its tiny annual budget of £9m faces a 4 per cent cut next year.

Among the commission's first new challenges will be to advise on a "designated museum" scheme. This acknowledges that, apart from the 17 leading museums funded directly by the government, there is a raft of museums, such as the Ashmolean in Oxford, the Fitzwilliam in Cambridge and the great municipal museums in Manchester, Birmingham, etc, which have had funding redneed. It is envisaged that 30 such museums be "designated" as having significant collections, and given priority for any funding through the lottery.

Many of the 2,000 museums in the UK are changing rapidly, thanks to new technology. Last week the Natural History Museum opened its £12m Earth Galleries and the Science Museum's new Wellcome Wing, featuring interactive exhibitions and financed by the lottery and the Wellcome Trust, is costing £44m.

The government envisages that its review will lead to higher standards in museums, provide them with a new framework, help improve the care of collections, and speed up the introduction of new technology – and at no extra cost to the public purse.

Antony Thorncroft

Theatre/Ian Shuttleworth

Rogues and riches

As one of the minority who rather liked *Lust*, the West End musical adaptation in 1993 of *The Country Wife*, the prospect of seeing a similar treatment given to *The Beaux' Stratagem* sounds more appealing than fearsome. The truth about *Rogues to Riches* turns out to be around midway between the two poles.

American actor and lyricist Robert Sevra is hoist by his own petard in the shape of programme notes which extol the English as a people "whose literary heritage and love of language seem to echo my own". I sincerely hope not; Sevra's love of language manifests in lyrical doggerel such as "In London, Dear London, Society's Laws/Make life for a wife there a cause for applause" and the self-consciously mangled line "Never his bed shall I come near".

These and a few other atrocities aside, Sevra lyrics hark back to a pre-Stephen Sondheim age when poetry in song was a matter of more – or less – than precisely crafted everyday speech.

His script preserves Farquhar's plot, in which penniless young blades Aimwell and Archer find their plans to marry for money complicated by the onset of actual love, but apart from the occasional "Od's My Life" or "'Steph" is devoid of period frippery (at one point, he even uses the word "stashed").

The music, written by Lynn Crigler and performed jauntily on piano and cello, is also backward looking in its reliance on conventional melodic progressions – no bad thing in itself, and leading to passages which are often naggingly half familiar: I am sure that the number "Romance" owes more than a little to "I'll know" from *Guys and Dolls*.

If the writers have any pretensions to having created an artwork, Wendy Toye's production is wisely having none of it. We know this is to be a romp from the opening *A capella* scat-overture, which reveals the cast in a variety of costumes from vaguely period foppishness for the duo of rakehells to leather jackets for a couple of highwaymen and scarlet lycra for the fickle maidservant; Michael Fleischer's set, too, has a colourful Georgian *Playschool* feel.

Robin Hart as Aimwell is an assembly-line hunk of the kind beloved by casting directors of *TV blockbusters*, but handles a tuna nicely. Anthony Drewe returns to the Watermill after his own musical revue, *Warts and All*, several months ago to play Archer; he plainly enjoys musical comedy and has a talent for it, but his smirk is a little too persistent.

In general, the women in the cast immerse themselves more deeply in the show than the slightly distanced men: Sarah Jane Hassell and Louise Plowright as the young men's amorous targets, Lucinda and Dorinda, settle into their roles rapidly after an unsure start, and Jacqueline Charlesworth's performance as innkeeper's daughter Cherry is an uninterrupted delight.

The whole affair is serviceably jolly, although it shows little promise of greater things from its creators – except for perhaps a modicum of humility from Robert Sevra.

'Rogues to Riches' at the Watermill Theatre, Newbury, until August 31 (01635-46044).

Theatre

Making connections

The title of James Edwin Parker's play – *2 Boys in a Bed on a Cold Winter's Night* – considerately relieves its reviewer of having to describe the basic situation.

The boys in question are graphic designer Daryl and his pick-up for the night, Peter, a pbilosophy gradnate now working in construction; the time is 4.30am, and the play unfolds in a little over an hour of real time. Daryl feels the need to make a connection through talking; Peter has an equal and opposite compulsion to avoid it by, well, engaging in other activities.

2 Boys . . . is a slight work which builds to an implausibly strong final resolution, bnt is amusing and reasonably thoughtful along the way. Its modest success in the US, and no doubt similar reception here, may be in part due to the fact that Parker has set himself moderate goals and achieved them.

This is not a piece of "*Queer*" theatre; the cbaracters live in a specific gay culture (in New York), while their psychological dimensions speak universally. It achieves the same kind of welcoming, sednctive cross-over as the television adaptation of Armistead Maupin's *Tales of the City*, on a smaller scale.

Lines like "Girls are OK and that; some of my best friends are girls" and the semi-playful exchange "Sex isn't everything" – "Yes, it is!" help to establish both the individnal and typical aspects of Daryl and Peter. The biggest laugh of the evening is one of rueful familiarity at the capacity of a simple "I love you" to act as a complete and instant sexnal turn-off.

In the early stages, one worries that Steven Brand may be playing Daryl just that smidgen too queenily, with Richard Laing likewise a touch heavy on Peter's bntchness. However, director Julian Woolford not only keeps all exaggeration reigned in, but as the duo begin to talk turkey even these defensive personae diminish.

There is really little more to say. Neither the play nor the prodnction is, or pretends to be, momentous; but, as unremarkableness goes, it makes for an engaging hour. For once, the adjective "nice" deserves to be used without an underlying sneer.

I.S.

'2 Boys in a Bed on a Cold Wioter's Night' at The Arts Theatre, London WC2, until Septemher 7 (0171-836 3334).

INTERNATIONAL ARTS GUIDE

AMSTERDAM

CONCERT
Concertgebouw Tel: 31-20-5730573
● Amanda Chan: the pianist performs works by Beethoven, Debussy and R. Schumann; 8.30pm; Aug 2

EXHIBITION
Stedelijk Museum Tel: 31-20-5732911
● August Sander: exhibition devoted to the work of the German photographer August Sander (1876-1964). The display includes historical documents and more than 200 photographs, including photographs for his life-work Menschen des 20 Jahrhunderts (People of the 20th Century); to Aug 15

BERLIN

EXHIBITION
Kupferstichkabinett Tel: 49-30-26629598
● Im Kontext der Sammlung: this exhibition focuses on drawings and graphic works that were added to the museum's collection over the last five years. Artists featured are Picasso, Camille Graeser, Alf Lechner, Dan Flavin, Dennis Oppenheim and Christian Boltanski. A complementary selection of works from tha museum's collection provides a context for these recently acquired works; to Oct 13

BONN

EXHIBITION
Kunst- und Austellungshalle der Bundesrepublik Deutschland Tel: 49-228-9171200
● The Great Collections IV: Moderna Museet, Stockholm: this exhibition features approximately 200 works of modern art from the collection of the Moderna Museet in Stockholm, beginning with examples of early modern art up to contemporary art; to Jan 12

BREGENZ

OPERA
Bregenzer Festspiele – Festspiel und Kongresshaus Tel: 43-5574-4920
● Fidelio: by Beethoven. Performed by the Wiener Symphoniker, the Sofia Chamber Choir, the Choir of the Russian Academy Moscow and the Bregenzer Festspielchor. Soloists include Susan Anthony, Mariette Kemmer, Adina Nitescu, Wolfgang Fassler, Walter Fink, Jürgen Freier, Sergej Leiferkus and Alan Titus. Part of the Bregenzer Festspiele; 9pm; Aug 2, 3

COPENHAGEN

MUSICAL
Gladsaxe Theatre Tel: 45-31676010
● Hans Christian Andersen Musical: by Flemming Enevold, to music by Sebastian. Directed by Flemming Flindt and performed by the Gladsaxe Teaterkor. The cast includes Flemming Enevold, Lise Nees, Nis Bank-Mikkelsen and Jesper Vigant; Mon-Fri 7.30pm, Sat 7pm; to Aug 3 (Not Sun)

DETROIT

EXHIBITION
The Detroit Institute of Arts Tel: 1-313-833-7963
● The Car and the Camera: The Detroit School of Automotive Photography: this exhibition celebrating the centennial year of automotive manufacturing features the work of Detroit car photographers such as Walter Farynk, Vern Hammarlund, James Northmore, Mickey McGuire, Guy Morrison and others; to Nov 24

FRANKFURT

EXHIBITION
Deutsches Architekturmuseum Tel: 49-69-2128471
● Film-Architektur. Set Designs von *Metropolis* bis *Blade Runner*: exhibition of 200 designs, drawings, sketches, paintings and photos giving an overview of 70 years of film architecture. Included are set designs for films such as *Metropolis, Mon Oncle, Playtime, Blade Runner, Batman* and *Dick Tracy*; to Sep 8

LONDON

CONCERT
Royal Albert Hall Tel: 44-171-5898212
● The European Youth Orchestra: with conductor Sir Colin Davis perform works by Strauss, Elgar and Sibelius. Part of the BBC Proms; 7.30pm; Aug 3

EXHIBITION
Institute of Contemporary Arts – ICA Galleries Tel: 44-171-9303647
● Gabriel Orozco: the first solo exhibition in Britain by tha Mexican sculptor. Orozco takes his cues from ordinary, often urban, settings and even more prosaic materials, such as a rubber inner tube, a lumpen ball of plasticine, a tin of cat food or the cap of a yoghurt container; to Sep 22
Museum of Mankind Tel: 44-171-3238525
● *The Gilded Image*: Pre-Columbian Gold from South and Central America: exhibition showing pieces from the museum'a South and Central American gold collections spanning 1,500 years and ranging from Peru, Ecuador and Colombia to Panama and Costa Rica; to Dec 31, 1997
Tate Gallery Tel: 44-171-8878000
● Mountain Gloom, Mountain Glory: this exhibition celebrates the enduring enthusiasm for mountain scenery felt by JMW Turner and other British artists. Selected from both the Turner Bequest and elsewhere in the Tate collection, this display of watercolours shows the changing role played by mountain landscape in the art of the mid-18th to late 19th centuries; to Oct 6
Victoria & Albert Museum Tel: 44-171-9388500
● Tha Pre-Raphaelites and Early British Photography: this exhibition brings together drawings and watercolours by the Pre-Raphaelites and their followers, and work of such photographers as Francis Bedford, Lady Hawarden and Julia Margaret Cameron; to Sep 29

LOS ANGELES

CONCERT
Hollywood Bowl Tel: 1-213-850-2000
● Kirov Orchestra: with conductor Valery Gergiev and pianist Nikolai Lugansky perform Tchaikovsky's Piano Concerto No.1 in B-flat minor, Op.23, 1812 Overture and Symphony No.5 in E-minor, Op.64; 8.30pm; Aug 2, 3

NEW YORK

EXHIBITION
International Center of Photography Tel: 1-212-860-1777
● In Times of War and Peace: The Photographs of David and Peter Turnley: exhibition of over 200 works by David and Peter Turnley, who have photographed every main news event of the past 15 years, including the revolutions in Eastern Europe, the uprising in Tiananmen Square, the dismantling of the Berlin Wall, the inauguration of Nelson Mandela, the Gulf War and the Bosnia conflict; to Sep 8
The Pierpont Morgan Library Tel: 1-212-685-0008
● Through British Eyes: Images of Bermuda, 1815-1857: exhibition of drawings and watercolours made in Bermuda during the first half of the 19th century; to Aug 4

OSLO

EXHIBITION
Kunstindustrimuseet i Oslo – Museum of Applied Arts Tel: 47-22-203578
● Scandinavian Jewellery Triennial: travelling exhibition featuring Scandinavian jewellery. Artists represented includa Tone Vigeland, Toril Bjorg and Jan Lohmann; to Aug 18

PARIS

EXHIBITION
Centre Georges Pompidou Tel: 33-1-44 78 12 33
● Dessins contemporains du Musée de Bâle: thia exhibition shows a collection of contemporary drawings, collected by Dieter Koepplin, tha curator of the Kunstmuseum Basel; to Sep 30
Musée d'Art Moderne de la Ville de Paris Tel: 33-1 53 67 40 00
● Georges Tony Stoll: the first solo-exhibition of this French photographer; to Sep 22

SAN FRANCISCO

EXHIBITION
California Plaza of the Legion of Honor Tel: 1-415-863-3330
● *Paris Modern: The Swedish Ballet 1920-1925*: this exhibition features drawings, costuma and set designs, posters and photographs of this avant-garde dance company based in Paris in the early 1920s. Productions in that time were designed by artists such as Léger, Cocteau, Picabia and De Chirico; to Sep 29

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European Money Wheel

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Financial Times Business Tonight

Economic Viewpoint · Samuel Brittan

Warnings amid the praise

In publishing the IMF report on the UK, Kenneth Clarke may be carrying out a pre-emptive strike to shield himself against political temptation to relax policy

Mr Kenneth Clarke, the UK chancellor, was happy to break new ground by publishing the report of the annual mission of the International Monetary Fund to the UK as a selective exercise in open government.

Parts of it were indeed an encomium to UK policies, saying that "the strong overall performance reflects the unfettering of market forces initiated in the 1980s and the medium-term and stability-orientated cast of recent fiscal and monetary policies". So much for the "state we are in".

Nevertheless, the report is at least as much a warning of the need to stay on the stability route as it is a hymn of praise. Here it echoes the Bank of England's recent reminder that the UK is just at the stage of the business cycle where previously inflationary mistakes have been made. Even one of the IMF's most optimistic predictions has a hard-edged lining, namely its expectation of 3 per cent real growth in 1997 "with the risks teoding to be on the upside".

Such a growth rate indicates that the margin of unused capacity (the so-called capacity gap) is being taken up quite quickly. So the economy needs a stimulus, on present evidence, like it needs a hole in the head.

The IMF team underlines the point by saying that its optimistic inflation outlook holds "provided that monetary policy retains its medium-term focus". But just to remove all doubt it says: "we do not see scope for further interest rate reductions... indeed higher interest rates will be needed as signs of accelerating growth accumulate."

For good measure the IMF adds that credibility would be enhanced by central bank independence. Maybe the chancellor is trying a modest alternative form of pre-commitment of his own. In other words, he is publishing the IMF report to make it more difficult for his political self, or his neighbour next door, to impose an opportunistic pre-election cut in base rates at the wrong time.

It is however on fiscal policy that the warnings are strongest. The IMF is worried that the 1996-97 pnblic sector borrowing requirement is 2 percentage points more as a proportion of gross domestic product than envisaged two budgets ago. As a minimum it wants half the slippage since the last budget statement restored. That budget envisaged a PSBR of £15bn in the fiscal year 1997-98, compared with £23bn in the Treasury's new summer forecast.

This means that, so far from any relaxation, next year's fiscal stance should be tightened by £4bn. (Even the IMF is sufficiently political not to recommend increases in tax rates.) The team warns against trying to go any further down the route of postponing capital spending. As current outlays are difficult to curb quickly there will be "no scope for tax cuts" in the new budget – whatever backbenchers would like.

* * *

The warning against postponing capital spending yet again is the one point in common between the IMF report and a contributed article by John Flemming and Peter Oppenheimer on public spending and taxes in the July Review of the National Institute of Economic and Social Research. The main aim of the article however is not to argue about fiscal strategy but to criticise the hostility of the British political establishment to what even Tony Blair, Labour leader, denounces as the "tax and spend philosophy".

Both authors are well-known Oxford economists. Mr Oppenheimer was an enthusiastic supporter of the university's decision to refuse an honorary degree to Baroness Thatcher. Mr Flemming has been chief economic adviser both to the Bank of England and to the European Bank for Reconstruction and Development.

The dual authorship shows. While one feels that a ferocious attack on government attempts to hold back spending is about to be launched, the concrete conclusions are fairly limited. They call for an "extra ½ to 1 per cent of GDP for health and education over a number of years". They are not clear whether they want to add these sums every year, or whether they are cumulative.

An increase of this amount could eventually be attained through the normal fiscal dividend – that is from the tendency for tax revenues to rise faster than national income in a progreseive system. The recent unexplained adverse shift in the relationship between tax and revenne has of course increased the budget deficit and put the fiscal dividend in abeyance. But if this is e once-for-all shift, the fiscal dividend will re-emerge once the deficit is down to reasonable proportions.

The authors are least convincing on aggregates. They say public spending has fluctuated over the last 25 to 30 years within a range of about 6 percentage points of GDP. But this is only because of Herculean if clumsy efforts, starting well before Lady Thatcher, with the Labour government's response to the IMF visit in 1976, to prevent the total from bursting its bounds.

The anthors' own international table shows how easily the ratio can soar. in 1994 it was just under 43 per cent in the UK – much less in the US and Japan. But the ratio was around 50 per cent or more in Germany, France and Italy and nearly 70 per cent in Sweden – before the recent crisis cuts.

It is difficult to believe that European public spending ratios have nothing to do with high unemployment and halting growth. The anthors are near to a good point when they say that heavy continental social security levies could be reduced if workers accepted a cnt in take-home pay instead. The difficulty of bringing this about illustrates the mess into which the European economic model has run.

The thrust of the NIESR article, which is quite difficult to extract, is thet collective spending on edncation and health will tend to rise, either because the desire for such goods increases faster than income or because there is less scope for productivity increases. But as Michael Prowse's articles have shown, there is plenty of scope for productivity increases in such services.

The NIESR is less clear on social security which accounts for 13¼ per cent of GDP and has been much the most rapidly rising sector of public spending. The most remarkable feature is the fivefold rise over 10 years in cash spending on sickness and disability benefits, which the authors convincingly suggest is a displacement from jobless benefits.

There are some telling criticisms of health eervice reforms, of which Mr Oppenheimer has special knowledge. But the most interesting remarks relate to the implications of privatising the provision of health and edncation while continuing to finance them publicly.

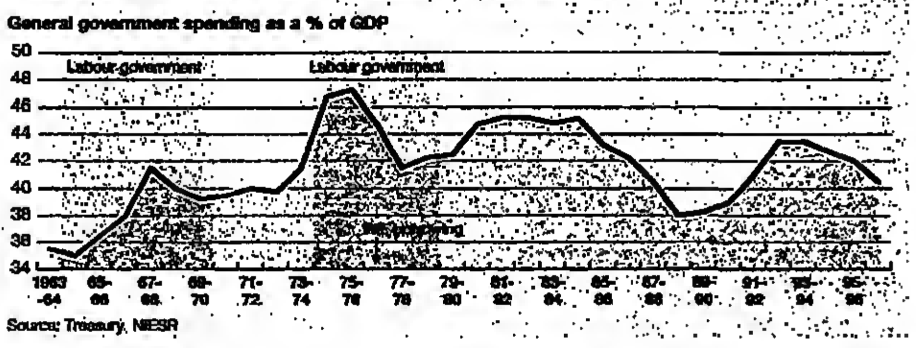
If this heppened, there would be no first order effect on public spending either way. But the second order effect might be to increase it. For the state as monopoly employer of teachers, doctors and nurses is pretty effective in holding down costs. The case for consumer choice has to be argued on its own virtues and not as a way of cutting cash spending.

The moral I would draw both from the NIESR article and the IMF report (as far as the latter goes) is that attempts to reduce the public expenditure ratio hy administrative tinkering or conventional Treasury vigilance have reached their limits.

To make a real difference whole parts of the public sector, such as large slices of social security or health, would have to be put on an insurance basis. This may be good or bad, depending on how it is done. But auch switches need to be considered on their merits and neither dismissed as "kids' stuff" nor unthinkingly adopted because the public spending percentage would drop.

Ups and downs of UK public expenditure

General government spending as a % of GDP



Source: Treasury, NIESR

BOOK REVIEW · Emiko Terazono

THE HONDA LEGEND – After the Guru's Death
By Masaaki Satoh (in Japanese)
Bungeishunju, 594pp, Y2,200

New drive to reinvent the old Honda spirit

There le no other corporate figure revered by the Japanese more than the late Soichiro Honda, the founder of Honda Motor. Although he may not have the international profile of US industrialists such as Henry Ford, many Japanese know and love the life-story of a garage mechanic who became the head of a leading carmaker.

There have been many books and documentaries on the feisty founder and his partner Takeo Fujisawa, who ran the business side. This book, written in Japanese by a senior writer at Nihon Keizai Shimbun, the leading business daily, describes more recent developments at Japan's third largest car company since the deaths of its founders in the late 1980s and early 1990s.

Mr Satoh focuses on the identity crisis which has plagued Honda as it outgrew the basic goal laid down by its founders – the aim of manufacturing good products at low prices. Companies such as Honda, Matsushita and Sony transformed themselves from small sweatshops into world leaders. But the expansion of prodnct areas and the globalisation of their activities has forced the managers of such companies to find new ways of running their businesses.

It is a common dilemma among Japanese manufacturers established during or after the second world war. They can no longer run a company by sticking to their founders' aims. At the same time, the slowness of the traditional consensus-building approach to decisionmaking in greatly enlarged companies led to worries about excessive bureaucracy.

Honda's initial success as a motorcycle-maker in the 1950s lay in the founders' innovativeness and aspirations to succeed. The combination of Mr Honda's engineering verve and Mr Fujisawa's business acumen allowed the company to prosper when the economy was growing fast but capital and raw materials were rare.

After the two founders stepped down in 1973, decisions were made through *waigaya* – relaxed brainstorming sessions – among company executives. But the new managers always referred any decisions to the founders for final approval.

The company continued to grow, launching its first luxury saloons in the 1980s, which sold well in the US and in Japan. However, the tide seemed to turn following the deaths of the two founders – Mr Fujisawa in 1988 and the charismatic Mr Honda in 1991. The company had become more cautious and seemed to lose its cutting edge and engineering standards. Amid concerns over the faltering Honda spirit, the company was hit by the ensuing burst of the economic bubble of the late 1980s and its revenues plummeted.

Another blow was the resignation in 1992 of Mr Shoichiro Irimajiri, long seen as the crown prince, for health reasons. The man whose easy yet exuberant manner epitomised the "Honda way" was made vice-president in 1991 after his return from the US where he had built up the company's operations. As vice-president he was in charge of simplifying Honda's structure and clarifying lines of accountability.

According to Mr Satoh, Mr Irimajiri had faced opposition from colleagues who resented his advancement and had grown frustrated by the increasingly bureaucratic nature of the company. Mounting distress over the erosion of the challenging spirit in the carmaker seemed gradually to undermine his health.

The author points out that the seeds of its loss of identity and direction were partly sown by the founders. Mr Fujisawa had used his marketing talents to promote a larger-than-life image of Mr Honda in order to instill corporote pride. It transformed Mr Honda into a guru-like figure so powerful that executives became scared of upsetting him – and thus avoided risk-taking and controversial decisions.

Mr Nobuhiko Kawamoto, who had become president in 1991, tried to turn the company around by rejecting the cult-like image of Mr Honda. He aimed to turn the company from a niche carmaker into an international conglomerate, and stressed the importance of larger saloons if Honda was to become a fully fledged car manufacturer. To speed up decisionmaking, he got rid of the casual *waigaya* which no longer seemed to work.

The approach has done the trick. The company has returned to financial health, with a 22 per cent rise in consolidated pre-tax profits for the year to March. Ironically, however, much of its recent success has come from its strength in spotting niches such as recreational vehicles, an image it was trying to shed.

Mr Kawamoto has taken much of the credit for steering Honda out of its decline. But the company's fundamental identity problems remain – as he acknowledges in the book. "For Honda's future success, it needs some sort of corporate slogan," he says. "Honda's past success has come from the cohesiveness created by such corporate mottos which everybody adhered to... But there is a danger of taking the company down the wrong path if we strain ourselves to create a slogan and this is what scares me the most."

Although Honda seems to have overcome its immediate obstacles, it is still unclear whether Mr Kawamoto can create a new identity for the car manufacturer.

The Honda Legend is available from FT Bookshop by ringing FreeCall 0500 418 419 (UK) or +44 181 964 1251 (outside the UK). Free p&p in UK

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Judgment far from Olympian ideal

From Mr Daniel Roy Bennett.

Sir, What is the point of Caryl Phillips's heart-rending commentary on the US v Angola Olympic basketball game ("Other teams have more modest dream", July 25)? For one, the spirit of the games has never been to entertain. We derive such entertainment because we enjoy watching the athletic competition. Otherwise, dominance and winning remain the goal of such contests. If a mismatch of talent has occurred, is it the fault of the US team?

Although I sympathise with the struggles of Herlander Coimbra, the men on the US team have their own stories to tell, and if their circumstances and fortune have been different, what fault is it of theirs?

Americans pay good money to watch outstanding basketball players. The process of grooming them is long, well-defined, and born of an ethos which values highly great talent. That the results in high salaries is a natural consequence. Mr Phillips should, therefore, leave money out of his judgment.

Criticising Charles Barkley for unsportsmanlike conduct is one thing. So should it be that we demand gentlemanly behaviour. But to level the game to remuneration and sheer entertainment is quite another. Should the US team bring out its second string or play only with their left hands, just so Mr Phillips can watch an even match?

It is a pity that he cannot say much about the game beyond his shameless and feeble-spirited reproach. Though he is right that we ought to foster competition to have a better match, doing so by berating and insulting the stronger players because they are stronger is quite far from the Olympian ideal.

Daniel Roy Bennett,
Rua Almeida Garrett 81, 1o,
2765 Estoril, Portugal

Hallmarks of political short-termism

From Mr Dick Winchester.

Sir, I don't quite understand the logic of the Nimrod replacement contract ("Missile deal paves way for BAe link with Matra", July 26). Giving the main contract to British Aerospace means Boeing will be getting the best end of the deal through the supply of the command systems – a sub-contract against which no value has been given.

GEC has managed to claw back something from the failure of its partnership with Lockheed. But had Lockheed won, GEC would have done what Boeing is doing now.

Lockheed is also astute enough to have ensured that sufficient sub-contracts would be placed in the UK to make the difference in job retention about the same.

So what this deal seems to be is a short-term, one-off fix that looks politically astute but is possibly industrially strategically naive. After all, the export market potential for Nimrods is at best limited but Boeing will find markets overseas for its command systems, especially now the RAF has given it a stamp of approval.

Had Lockheed'e Orion been chosen, GEC and Lockheed had the potential jointly to develop an export business together, possibly creating many more jobs in the future.

So what may seem on the face of it to have been a good day for UK industry may actually turn out to be another classic example of politicians not being able to see much further than the next general election – and Treasury officials not seeing much further than the end of next week.

Dick Winchester,
The Old Schoolhouse,
Old Rayne,
Aberdeenshire, AB52 6RY,
UK

UK MPs need more businesslike approach

From Mr Harry Ball-Wilson.

Sir, The recent comments on the foray for more pay for MPs misses the desperate need for a more businesslike British parliament, setting a leadership example. More money means less people, at the top as well as the bottom. Management costs need inspection.

More than 20 years ago, British Telecommunications offered MPs communication facilities on very favourable terms in their Westminster offices, linking them to places in their constituencies. These inclnded face-to-face interviews and conferencing.

The hours when the members need to be in the House are arranged eo they are able to fit in another occupation. The few who do not have that ability get financial support from interested organisations.

When the people they are purporting to represent are losing jobs or having to take cuts in pay and perks, it is hardly appropriate for them so blatantly to increase their cost to the hard-pressed country. The time is well overdue for downsizing the 651 members drastically, to, say, four times the number of Euro MPs. Indeed the Euro constituencies' boundaries establish a satisfactory basis for this operation, by combining and halving the separate Westminster seats, with *preferential voting.*

This action is vital if Conservative MPs are to avoid decimation. It will also give voters the opportunity to chose between various members of each party, now including such a wide divergence of policies. The MP's job description should compare them with that of a company non-executive director, rather than that of a bureaucrat.

Harry Ball-Wilson,
2345 Ala Wai Blvd.,
Apt2714,
Honolulu, Hawaii, US 96815

For welfare, read income

From Richard Clements

Sir, Joe Rogaly's thought-provoking piece, "Timelords of poverty" (July 14), was surely too pessimistic. There is quite a lot of thinking going on about what going "forwards" from the welfare state means. While civilised societies accept the need for some form of social security, it is not necessary for them to follow the present accepted pattern.

Indeed, among a wide range of people (probably excluding politicians) the idea of a far more flexible system like citizen's income is gaining ground – one which combines the efficiency of the market with the compassion of the welfare state.

One only has to draw attention to Professor James Mead's last book, *Full Employment Regained?*, to understand how seriously the subject of a citizen's income is now considered. And Samuel Brittan, in his book, *Capitalism with a Human Face*, also advocated a citizen'a income.

Perhaps there is a case for a wider examination of the alternatives to the welfare state which actually come up with some answers?

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Need for such a structure

From Mr Hugh Keith-Johnston.

Sir, I write regarding Colin Amery's article "Time for London to reach for the sky" (July 29) and concur with his sentiments. London needs a structure that is beautiful and soaring and bold.

Discounting aesthetics, Amery is right when he suggests that such a building would help symbolise London as a 21st century financial centre.

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COMMENT & ANALYSIS

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Korea and the OECD

Decision time is looming for South Korea in its efforts to join the Organisation for Economic Co-operation and Development. If it is to meet its own timetable for membership at the end of this year, it must make the necessary commitments to liberalise its economy during the course of September. Otherwise the formalities will not be complete on time.

So far progress has been disappointing. While Korea has moved to open its equity market to more foreign participation, its reluctance to set out a broad plan for financial sector liberalisation remains a serious obstacle.

The OECD ought to welcome Korea as an important trading power with an economy larger than that of Australia. Its per capita gross domestic product exceeds by a multiple those of Mexico and the Czech Republic, two recent OECD entrants. Korea's admission would improve the balance of a membership whose Asian proportion is too small.

But Korea has always been inclined to behave as if membership were a matter of right rather than obligation. The OECD is right to insist that it meet the conditions of behaviour that go with developed status.

Whether this means doing more to liberalise its farm trade as urged by the EU is moot. This is an area more appropriately dealt with by the World Trade Organisation. But a commitment to free capital flows is a principle the OECD cannot lightly abandon. Besides, much of the change that the OECD is seeking would be in Korea's own interest.

For example, Korea fears the consequences of liberalising ownership of its banks. Its powerful industrial conglomerates might use the opportunity to acquire banks and monopolise access to credit. But allowing foreigners to own banks would promote competition while preventing the conglomerates from gaining such a stranglehold. Korea would be closer to realising a much needed restructuring of its under-developed financial sector.

Equally important is the bond market. This is basically closed to foreigners, both as investors and borrowers. The original aim was to give the government leverage in allocating scarce capital to its own industrial champions, but closure has made capital too expensive for small companies on which Korea must increasingly depend for growth and employment.

Meeting the OECD's requirements implies huge change in Korea's financial landscape, and the OECD will have to accept phased reform. But Korea cannot insist for ever on waiting for the right moment to begin.

If it misses the OECD boat this year it will have to wait till 1998, as next year is an election year. If President Kim Young-sam bites the bullet now, he will go down in history as a reformer who led his country into the modern world.

Trade the flag

The budget of Britain's diplomatic service is a hard subject to discuss sensibly. The image of grand residences and lavish parties is so enduring that even the Foreign and Commonwealth Office itself is somewhat shy about making the case for spending money on overseas representation.

But as yesterday's report by the Commons foreign affairs committee suggests, the contradiction between global aspirations and the reality of a shrinking FCO budget is becoming too sharp to ignore. The diplomatic service, already smaller than its French, German or Italian counterparts, has been warned of a real-terms reduction in expenditure of about 12 per cent over the next three years. Over that period, the volume of consular work is expected to rise by a third – in part because of the emergence, since 1991, of 23 new countries, all of which have some claim on Britain's attention.

These pressures will have a salutary effect if they stimulate a long overdue discussion about Britain's priorities. Previous attempts by the FCO to foster debate on this subject have failed to grasp the nettle, and yesterday's report was not much better. It makes the grandiose claim that the UK is "approaching the next millennium as a global political and economic power" without examining how this status can be maintained within the constraints of a medium-sized and financially prudent European state.

In fact, Britain's role in the world risks being spread much too thinly: it needs to make hard choices about where to put most emphasis. There are plenty of diplomatic posts that cry out for more expenditure. For example, Britain's representation in much of the ex-communist world, where huge opportunities exist for business, is low-key and drab compared with that of France and Germany. But that only throws into sharper relief the question of where the FCO might spend less.

One easy answer is that the flag should always follow trade, with the size of embassies linked to proven or potential commercial rewards. But pure mercantilism is too simple an approach. In a world where today's growing economy can be tomorrow's war zone, even the most mercenary of nations needs strategic judgment as well as salesmanship.

Perhaps the most obvious way Britain's diplomatic service could save money is by sharing a greater proportion of its analytical work with its European Union partners. Any sovereign state will want to keep certain ideas and information to itself, but there is plenty of routine diplomatic reporting, based on open sources, which EU embassies in far-flung places should do together, not separately. Britain has much expertise to offer its partners in this area, and it could expect a great deal in return.

Ban handguns

Attempts to curb the ownership of firearms are always opposed by gun lobbies. This can be overcome by strong public demand. In Britain the law was tightened in 1988 following the Hungerford massacre, but that did not prevent the slaughter of children in a Dunblane primary school eight years later. In both towns the perpetrators were enthusiasts, licensed by the police, familiar to local shooting clubs. They were able to accumulate armouries. Without the hardware, neither tragedy could have happened.

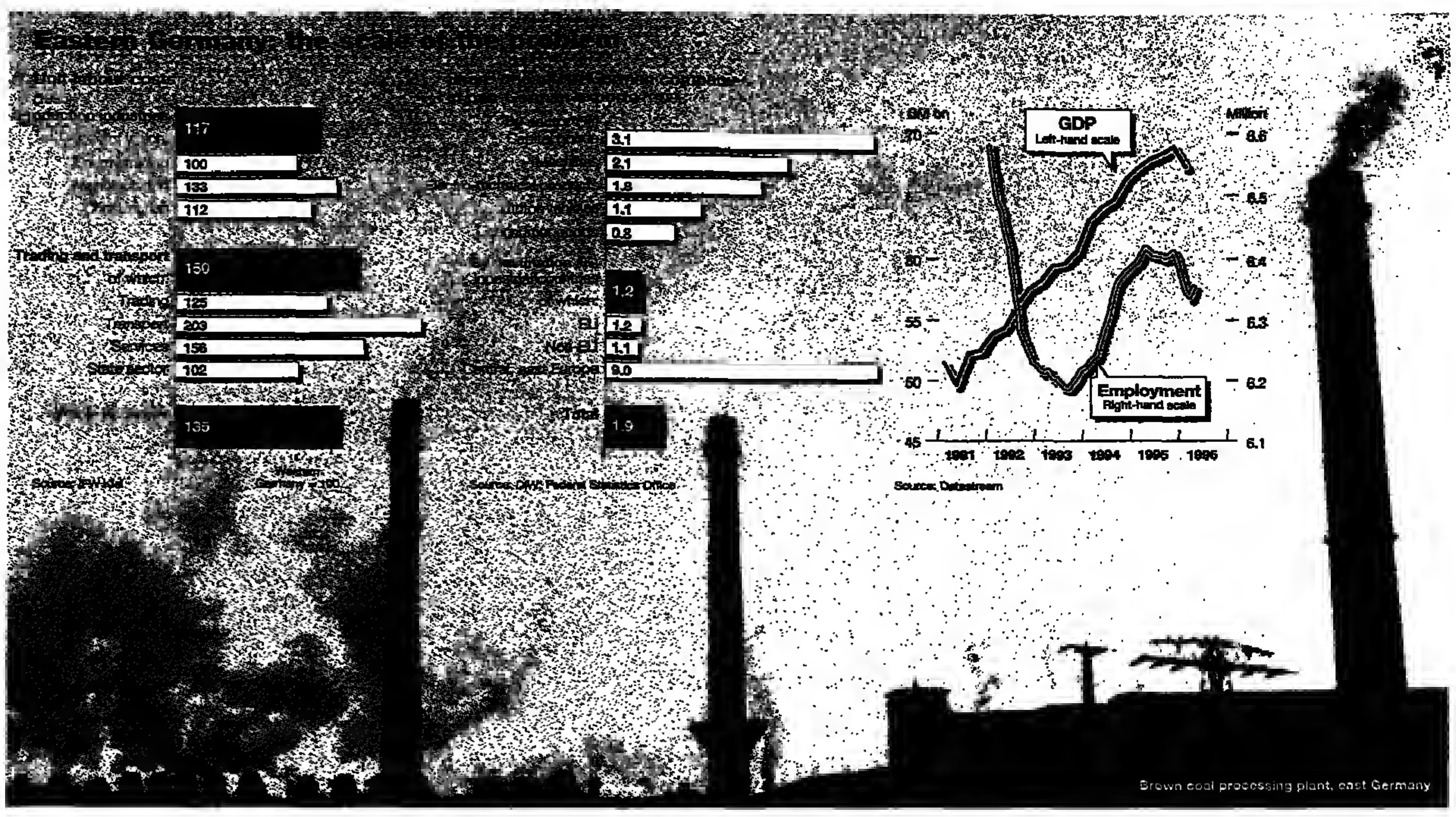
This argument has been broadly accepted by organisations representing the police. Unfortunately, it has not swayed the six Conservative MPs who command a majority in the Commons home affairs committee. They opposed a ban on the ground that it would be impractical. Their preferred solution is a change in the method of issuing firearms permits. That was tried in 1988; the gun lobby diluted the legislation then and would do so now. Bringing reluctant doctors into the equation, by requiring medical certificates, would not alter the case.

Shooters the world over protest that it is not guns that kill people but those who pull the trigger. This is specious. Without the weapons to point, it would be more difficult to commit wholesale murder. The deranged man who killed 35 people in Tasmania could not have done so without using his personal artillery. What followed is instructive. Mr John Howard, the Australian prime minister, proposed a ban on self-loading guns and pump-action shotguns. Implementation is opposed by "sportsmen".

This echoes the US, where the National Rifle Association is campaigning to lift President Bill Clinton's ban on specified semi-automatic weapons. The American citizen's constitutional right to bear arms costs lives. The US rate of homicide by shooting is 63 per million population. In Japan, where it is nearly impossible to get a gun licence, the rate is 0.5. Widespread possession of weapons in Switzerland is not reflected in a US level of killings but the Swiss are not burdened by a frontier mentality.

The British tradition favours unarmed police and unarmed citizens. Mr David Mellor, the Conservative ex-minister, would ban handguns. Labour proposes the prohibition of pistols and rifles above .22 calibre. The burden of proof of need for such relatively light weapons would fall on the applicant. Owners of one shotgun would have to present good reasons for being permitted a second. Airguns or laser simulators might be used in target practice in clubs.

These proposals were put to Lord Cullen, who is inquiring into the Dunblane killings. The prime minister has indicated that the government will await the Cullen report before deciding what to do. If Lord Cullen favours a ban the government should ignore the home affairs committee and pass the necessary law, relying on opposition support if it must.



Brown coal processing plant, east Germany

Across the German divide

On a journey through the former communist east, **Peter Norman** finds it still lags behind the west but that efforts are being made to catch up

It has taken five years for the *dream of a "flourishing landscape"* in eastern Germany to give way to the nightmare that the new Länder in the former communist east might be Europe's next *mezzogiorno*.

The former vision was presented confidently to industrialists by Mr Helmut Kohl, the German chancellor, in 1991, shortly after the two halves of Germany were reunified. But Mr Reinhard Höppner, prime *minister* of the east German state of Sachsen-Anhalt, now warns of "Italian conditions" with a permanent division in Germany between a rich west and a poor east.

"The biggest problem is the small *productive capacity of the east German economy,*" says Mr Paul Krüger, spokesman for the east German group of MPs from Mr Kohl's Christian Democratic Union. "Output in the new Länder amounts to only about *two-thirds of consumption* and that left a production gap of about DM220bn in 1995."

In spite of nearly DM700bn (£304.3bn) of transfers from the west in the six years since the two economies merged, the east's industrial base remains much weaker than that in the rest of Germany. To correct the lack of industrial capacity, the government of the state of Saxony has defied the European Commission by granting Volkswagen, Germany's largest carmaker, DM241m unauthorised aid to secure the completion of two car plants.

"We are determined to give the subsidies to Volkswagen," a state official said, adding that the prospects of higher unemployment haunted not only Saxony but all the east German states.

East Germany's official unemployment rate is 15 per cent, or 50 per cent above the national average. Many more – perhaps 7 per cent or 8 per cent of the labour force – are kept off the jobless register through government employment creation schemes which Bonn wants to phase out by the end of the century.

Eastern gross domestic product fell 2.5 per cent in the first quarter of this year compared with a 0.5 per cent drop in the nation overall. DIW, the Berlin-based German institute for economic research, has *forecast growth* in the east next year might be only 1 per cent, below the 1 per cent to 1.5 per cent predicted for the country as a whole.

For Mr Udo Ludwig of the Institute for Economic Research in Halle *(IWH), the region's problems are* summed up in an excessive reliance of its economy on construction. The share of manufacturing is feeble compared with Germany as a whole, where manufacturing and *energy output account for nearly* 30 per cent of GDP: "Construction accounts for about 17.5 per cent of GDP whereas normally it should be around 5 per cent. Industry's share is only 18 per cent: that is a danger*ous relationship.*"

The imbalance becomes apparent on a journey though east Germany's traditional industrial regions south and south-west of Berlin. The modern small to *medium-sized factories that are* nearly always visible from motorways throughout western Germany are conspicuous by their absence along the route from Halle in Sachsen-Anhalt, through Saxony's old industrial capital of Chemnitz to Schwarzheide in Brandenburg.

There are large new power stations and chemical plants such as the BASF plant at Schwarzheide. But these are few and often stand close to derelict factories that were communist showpieces.

More in evidence is the large-scale investment, encouraged by special tax allowances, in new or modernised apartments and large out-of-town shopping centres. But a slowdown in infrastructure spending, retrenchment ahead of a planned reduction in tax incentives for housing investment at the end of this year and an unusually harsh winter have dealt a savage blow to *eastern Germany's building* industry this year. Its problems have been reflected in a sharp rise in bankruptcies with a knock-on effect on the many small businesses that developed in the wake of the *construction boom.*

Insolvencies in Saxony were up by 46 per cent last year. In neighbouring Brandenburg, bankruptcies rose by a third between January and May compared with the same *period of 1995. Nearly 90 per cent* involved companies set up since unification.

Although the region will receive western cash for many years to come, the flow of funds will decline – *not least because of efforts to* reduce the government deficit ahead of European monetary union.

But it is too easy to paint a *totally black picture* of the new Länder. Some of the circumstances that have blighted eastern Germany's revival are slowly being corrected while *among many east Germans and* their leaders there is a dogged determination to succeed.

"The problems of the east are manageable," says Mr Klaus Schucht, the Social Democrat economics minister of Sachsen-Anhalt. "But we must have patience. Although we say we have come half way to rebuilding east Germany, it may be that the second half will take much longer."

A recent report for the Bonn economics ministry by three leading economic institutes concluded that much of eastern German industry is still uncompetitive. The most obvious symptoms were poor productivity, difficulty selling products and financial problems.

On average, unit labour costs were one third higher than in western Germany – even though take-home pay is significantly lower in the east. Large-scale efforts at *restructuring* and modernisation had failed to produce a corresponding improvement in profits. Investment still lagged behind western Germany: the region's estimated capital stock of DM750bn was half *as high, per head of population,* as in western Germany.

In general, manufacturers in eastern German had difficulty gaining market share outside their own region. The institutes suggested that *many east German products* lacked an up-to-date appeal.

Mr Schucht has put a special effort into bringing US investment into Sachsen-Anhalt's chemical *industry* and brown coal fields on *the grounds that successful modern* enterprises will stimulate smaller companies to serve them. "We have these new plants with the highest productivity," he says. "They do not create many jobs but that does not *matter. I say they must be productive* and they must make profits."

Although Sachsen-Anhalt's government is a coalition of Social Democrats and Greens which depends on the support of the for*mer Communist PDS party* in parliament, Mr Schucht shows a robust disregard for ideology.

"We must get away from this idea of 100 per cent wage equality between east and west. That is obsolete. It won't work," Mr Schucht says. "We tell US companies that they don't have to start with our high wages. We say, you can pay less and you can bring some of your corporate culture."

Wages below west German levels, lower non-wage labour costs and greater flexibility in working practices have become an essential part of east Germany's battle for survival. Many companies have quit the employers' federations to escape the need to pay wage rates negotiated nationally with the trade unions. Others cut local deals with works councils to pare costs.

The BASF subsidiary at Schwarzheide in Brandenburg *stands* by the *system of centralised* wage negotiations. The industry agreement with I.G. Chemie, one of the most moderate German unions, means that basic pay at Schwarzheide is 75 per cent and labour *costs as a whole are 60 per cent of* those in western Germany.

But Mr Michael Becker, the unit's chief executive, warns that pay differentials must be maintained. "The settlements of future years will play a *very important* role in *our ability* to compete with other BASF sites in Europe. We are getting a lot of investments that previously would have gone to Ludwigshafen [BASF's headquarters in western Germany]. But we *are not on safe ground* when it comes to a comparison with Spain and especially with England."

Nonetheless, Mr Becker the company has "proven it is possible to build a sound industrial base in east *Germany*". *Investment of DM1.3bn* has provided 2,200 jobs and created a plant that "can compete with all BASF's European sites".

Yet the labour force is less than half the 4,900 employed at the plant *when BASF took* it over in 1990 – and unemployment in the region officially stands at about 23 per cent. Mr Becker says eastern Germany is having to adjust the inflated hopes of recent years to reality. "The idea that rebuilding east Germany would happen very quickly and free of charge raised expectations that could not be maintained," he says.

Mr Schucht agrees that there is no quick fix. "We must look at things in a more relaxed way," he says, pointing out that there have been wide regional differences in incomes for many years in western Germany. "It could be that in five years we will have disparities with the west that will take 30 years to clear. But what is important is that the share of industry in the east German economy moves up from 18 to 25 per cent."

· OBSERVER ·

Turning lead into gold

■ Those tired of hearing The Star-Spangled Banner at Olympics *medal presentations can take* heart. The Canadian Globe and Mail, following its country's tradition of ingenuity at its neighbour's expense, has found a more satisfying way for non-Americans to measure their athletes' medal performance.

The Globe has compiled a medals league table based on the population and GDP of each competing country. And ... with its performance adjusted for its population, the US is well down the list. By Tuesday, the US had earned just one medal per 4,132 inhabitants, putting it in 14th place. Australia was well in the lead, *with one medal per* 591 people. Russia came in 13th, and China 20th.

Even more subversively, Cuba ranks second on the basis of population. What is more, it needed to *devote only $930m of its* national output for each medal, compared to the US's $99bn per medal.

Hardly fodder for the arch-patriots in the US. As the Globe put it, "assuming each nation devotes its entire economy to producing amateur athletes" (and many more ambitious assumptions feature in the pages of economic journals), "the results will send Senator Jesse Helms running for cover".

Gamesmanship

■ Meanwhile, as Britain heads for *what looks to be its worst Olympic* medal performance since the Helsinki in 1952, various remedies are being proffered. The British Darts Organisation suggests that if the UK can't win medals then perhaps it should lobby the International Olympic Committee to introduce sports at which Britons excel and nobody else plays – such as darts. "Surely it makes sense for us to compete in sports that we are good at?" says BDO general secretary Olly Croft.

Include me out

■ *John Major's* chances of earning a place alongside great and good Europeans have received something of a fillip.

Elmar Brok, the deputy head of the German delegation attending *the inter-governmental* conference, insists that next year's *Karlspreis*, an annual prize in memory of Charlemagne handed out in Aachen cathedral where he himself was crowned, should go to no lesser person than the British prime minister.

"Nobody has done more for the cause of co-operation within the European Union than he did with his recent blockade," Brok told the General-Anzeiger, the favourite read of Bonn's diplomats.

If Major keeps up the good work he will win a seat next to Queen Beatrix of the Netherlands, Felipe González, Franz Vranitzky and that scourge of Westminster's *sovereignty, Jacques Delors.* The DM5,000 that comes with the prize may also come in handy if, by next May when the prize is awarded, Major is out of a job.

Green warriors

■ It seems that war pays. There has been a faction within Greenpeace in the past few years which has been urging cooperation with business and politicians to discuss practical solutions to environmental problems. Round tables of one kind and another with former opponents promptly followed – anathema to the traditional rubber-suited "green warriors" who founded the pressure group.

Now, it seems, the rubber suits have the latest laugh, if not the *last. Greenpeace donations* rose sharply in 1995 by $10m to $138m, largely because of the high-profile campaigns on the Brent Spar oil platform and French nuclear testing in the South Pacific.

But the *actual number of* members fell – particularly in the US – by 200,000 overall to 2.9m. The group, which has always favoured sea-based campaigns, is expected to turn its fund raising efforts – for which read telegenic stunts – in that direction. Companies on the US coasts, beware.

All ye faithful

■ There's at least one ING Barings banker still hoping to be poached. Not by Deutsche Morgan Grenfell, which pinched 72 of its rival's Latin American equities staff, but by the UK Tory party. Mark Holdsworth, who has set up Barings' operations in Romania, is one of that ever hopeful band who think that price-earnings ratios can be traded for politics, in his case by standing for Glasgow Springburn. The small matter of a Labour majority of 14,500 may yet dent his dreams. "I don't know which is the greater challenge," he says, "Romania or Springburn." Springburn, in Observer's opinion.

No jobs

■ Has the European Union taken a policy decision always *to look on* the bright side? Or is it embarrassed by its conspicuous lack of success in reducing Europe's jobless total?

Either way, the latest labour *force survey from Eurostat, the* EU's Luxembourg-based statistical office, takes as its headline the news that "148m in the EU have a job". In rather smaller type it notes: "18m unemployed".

The Financial Times

100 years ago

African Coal and Exploration
Letter to the Editor: "Sir, I am glad that a move is taking place among the shareholders of the African Coal and Exploration Company – certainly not before time. I consider we have been treated with most scant courtesy by the Board of Directors. We would like to know how the amount realised by the last call has been or is being expended. Will *the directors tell us what* has become of this? Yours, Holder of 300 Shares."

Submarine Telegraphy
A proposal to inaugurate a national memorial to commemorate the inception and extension of submarine telegraphy is, we learn, now under discussion, and a committee is about to be formed with the purpose of carrying the idea into effect. This is an appropriate time to celebrate the success that has been achieved by British brains and British workmanship in one of the most important branches of 19th century progress. It may perhaps be pointed out that the great system of submarine cables now in operation itself forms a great monument to the memory of the pioneers. But there is much to be said for the proposition of a memorial.

FINANCIAL TIMES
Thursday August 1 1996

Bank plan to boost Paris as financial centre

French markets urged to seize Emu initiative

By Gillian Tett, Economics Correspondent

Efforts to make Paris a leading financial centre after European Monetary Union will gather pace today with a call by the French authorities for an early changeover in the country's markets to the single currency.

Joint reports from the Bank of France and financial groups conclude that French bond, currency and stock markets must start using the single currency – the euro – as soon as possible after Emu starts in 1999.

The reports, which detail the preparations Paris must make for monetary union, also call for an expansion of the market in Ecus, the European basket currency, before 1999.

The Bank of France's role contrasts with the situation in London, Europe's largest financial centre. The Bank of England has refused to establish a steering committee to prepare the City for monetary union because of political uncertainties about UK participation.

Mr Hervé Hannoun, deputy governor of the Bank of France, said "a plan of action" would boost Paris's role as a top class financial centre.

The reports address the legal aspects of Emu, monetary policy and the financial markets.

The report on the stock market urges that the changeover to the euro should occur on January 4, 1999, and calls for special currency convertors to help brokers.

The capital market report argues that the Ecu bond market should be expanded in 1998 to ease liquidity problems when Emu starts.

This move could be boosted by a separate agreement reached in London yesterday by the industry bodies for international bond and derivative markets on a standardised legal clause that could be inserted into Ecu contracts to safeguard their value under Emu.

In recent months the Ecu market has been undermined by legal uncertainties about monetary union.

Elsewhere, the French report argues that Paris-based banks should receive euro liquidity "locally" from the Bank of France, rather than the future European central bank. It also calls for restrictions on the access that countries outside Emu have to Target, the future European Union payments system.

These demands have triggered concern in the UK and Denmark, and prompted the European Banking Federation to write to the European Monetary Institute, forerunner to the European central bank, demanding that there should be no overt discrimination in Target.

However, the federation's letter also acknowledges that access will be different for "out" countries, because of Target's role in monetary policy.

Greek shipowners protest at raid by UK tax authority

By Clay Harris and Jim Kelly in London and Kerin Hope in Athens

A large-scale raid by the British Inland Revenue on a Greek shipping company brought a warning yesterday that Greek shipowners were reconsidering their position in the London market, where they account for one third of business on the Baltic Exchange.

A senior Greek shipowner in London described the scale of the tax authorities' raid two weeks ago on Kappa Maritime and many of its UK-based advisers as "unprecedented".

Mr John Hadjipateras, chairman of the Greek Shipping Co-operation Committee, said owners would stay "as long as we are wanted. If not, there are other places waiting for us."

The implied threat, alsodelivered privately last week to the Baltic Exchange, has worried the market, which matches ships and cargoes. The exchange says its business and related activities bring the UK £2bn ($3.12bn) in invisible earnings each year.

Kappa Maritime is the UK operation of Mr Pantelis Kollakis, known as "Lou", a British citizen who is "one of the four or five most important Greek shipowners based in London", according to industry experts in the Greek port of Piraeus.

The raid is understood to have involved 13 separate premises, including Kappa's offices in Berkeley Square, in central London, three firms of accountants, and a firm of solicitors.

Mr Hadjipateras said: "Of course, we have to respect the laws and regulations of the country, but we wonder why the Inland Revenue should go to such extremes."

The prime concern among the owners is whether the Inland Revenue's investigation extended beyond Kappa and its affairs, and whether the raid signalled any change in British policy onthe tax status of foreign shipowners.

Mr Jim Buckley, chief executive of the Baltic Exchange, said he had been assured by the Inland Revenue that there had been no change in policy.

Accountants, however, said the Revenue had been making inquiries for two to three years among Greeks in the UK.

"This has caused consternation," said one accountant. The raid may have followed the discovery of new information after the completion of a tax inquiry, he said. "This bears the hallmark of the Revenue having made their routine, normal-style investigations and then something has gone wrong at the settlement stage. They've taken exception to something."

Most shipowners in London keep a low profile "because they know their position isn't really tenable and any incoming government will take a hard look at their status," a banker in Greece said.

Like other owners, Mr Kollakis runs Kappa as an agency operation to minimise tax UK liability. It reported pre-tax profits of less than £17,000 ($26,520) on turnover of nearly £940,000 ($1.46m) in the year to March 31 1995. Mr Kollakis, who was born in Wales, resigned as a director of Kappa in March 1995, but he continues to own all but one of its 5,000 shares.

Yen's decline boosts Sony quarterly profits

Continued from Page 1

for filmed entertainment software with Beta Taurus TV in Germany and strong sales of the *Jumanji* video.

Sony's record companies also fared well, helped by international hits from Mariah Carey and Oasis. These artists continued to sell well in the second quarter, in which Sony had another success with the hip-hop ect, The Fugees. By contrast, two recently released films, *Striptease* and *The Cable Guy*, are running below expectations.

Cost-cutting helped the electronics division treble its operating income to Y39.8bn, on sales 29 per cent higher at Y884bn. But the division may be affected by the delay in the launch of digital video disc – billed as the latest hot product in the market.

Sony and other manufacturers have been forced to postpone their digital video disc launch plans after failing to clinch a copyright protection agreement for the new medium with the Hollywood studios. Talks are continuing.

Spanish minister pledges no fresh tax increases

By Tom Burns in Madrid

The Spanish government has already met revenue needs with this week's sharp increases in duty on cigarettes and alcohol and will not lift taxes again this year, Mr Cristobal Montoro, the economy minister, promised yesterday.

Mr Montoro blamed spending overshoots by the outgoing Socialist administration last year for tax rises which will push up the price of some cigarettes by 20 per cent and spirits by 16-20 per cent by next weekend.

Spanish consumers have been rushing to stock up before the price rises. Tabacalera, the state monopoly distributor, has doubled supplies of cigarettes to licensed sellers, but several have run out of stock.

Mr Montoro argued that the tax increases would not blow inflation off course from the government's year-end 3.5 per cent forecast, as the government planned to rein back utility price rises later in the year.

His reassurance on taxes comes as the international markets continued to take a negative view of Spain's finances after the announcement last week that additional borrowing of Pta534bn ($4.2bn) was required to finance "inherited budgetary insufficiencies" totalling Pta721bn.

This development ended a honeymoon period between the markets and the centre-right government, headed by Popular party leader Mr José María Aznar, which took office in May. "We don't know what other deficit shocks might lie ahead," said Ms Alexandra Perricone, Spain analyst at the securities house James Capel in London.

But Mr Montoro said the deficit belonged entirely to the 1995 budget, the last full financial year of the Socialist administration. Last year's budget deficit will now be revised upwards from 5.8 per cent of gross domestic product to 6.5 per cent.

He stressed that the spending overshoots would not affect the 1996 budget. He said the consolidated deficit at year's end would be down to 4.4 per cent of GDP, and in line with planned progress towards meeting the European monetary union convergence target.

But there are fears that the European Commission will insist that some – perhaps all – the additional deficit must be accounted for in the current financial year. This would derail the government's strategy for wrestling the deficit down to 3 per cent of GDP next year so as to ensure Spain's membership of Europe's single currency.

Mr Montoro dismissed these concerns: "Brussels will accept our view that the deficit belongs to the 1995 fiscal year. We are better placed than before to meet the convergence criteria."

THE LEX COLUMN

Straightening out Stet

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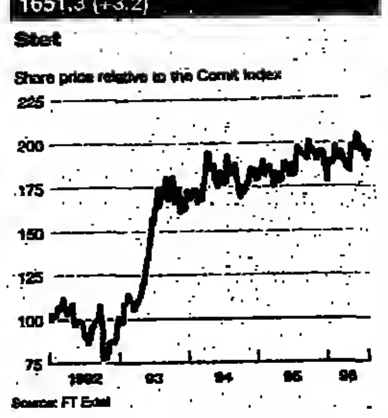


Mr Romano Prodi, the recently-installed Italian prime minister, is about to decide what to do with the state-controlled telecoms group, Stet. It should be an easy decision. The choice is between selling the state's 64 per cent stake as soon as possible or attacking Stet's Byzantine structure first. But since the regulatory authority is not yet in place, and the market is about to be swamped with other European telecoms privatisations, there is little likelihood of a rapid disposal. If, however, the government used this period to restructure Stet radically, it could raise an additional $3bn for Iri, the impoverished state holding company.

The potential for enhancing Stet's value is twofold. First, Stet controls numerous unrelated businesses, from the Yellow Pages to software and telecoms manufacturing. These companies have strong links with Stet, but would probably operate more profitably on their own. Second, and far more importantly, there is a substantial discount between Stet's market capitalisation and the value of its listed investments in Telecom Italia, the fixed line telecoms operator, and Telecom Italia Mobile (Tim), the mobile phone company. Merging Telecom Italia and Stet would remove significant head office overlap and reduce Stet's holding company discount. Demerging TIM would complete the process.

The restructuring route clearly makes sense, since Italy would benefit from a more efficient telecoms company in preparation for European competition, and also from additional sales proceeds. Sadly, given the weight of vested interests opposed to change, common sense may not prevail.

Glaxo Wellcome

The drug salesman, complete with briefcase, free samples and Ford Mondeo, is alive and well. Glaxo Wellcome's first half results were a powerful demonstration that even in today's changing healthcare industry, there is no substitute for doorstepping doctors if you want to sell more drugs. After last year's disruption during the Wellcome merger, Glaxo's 15,000-strong salesforce is on the road again. It produced a 14 per cent increase in the sales of newer products for migraine, Aids and asthma, which more than offset a 16 per cent decline for anti-ulcer medicine Zantac. Coupled with savings from integrating Wellcome, which pushed margins up from 31 to 39 per cent, earnings should grow 15 per cent this year.

Thereafter the going gets tougher. While Zantac's early decline is comforting in some ways – by the time its US patent expires next July, the drug may represent a mere 10 per cent of group sales – it will still restrict Glaxo's sales and earnings growth to 5 per cent or less over the next two years. That is less than half the rate at SmithKline Beecham or Zeneca.

The question is whether Glaxo's growth will accelerate again after 1998. There are promising drugs for flu, diabetes and cancer in the pipeline but no obvious blockbusters. Expansion into disease management and technology to monitor patient data would be sensible strategic moves, but will have little impact on the bottom line. Given the current healthy industry background, the management is under less pressure than when it bought Wellcome. But if that was to change, Glaxo's thoughts would soon turn to another big deal.

UK utilities

Who said Ms Clare Spottiswoode, the UK gas regulator, was uniquely tough? Yesterday's price review of Northern Ireland Electricity (NIE), proposing a 30 per cent one-off price cut in its transmission business, shows others can be just as nasty. The next question for investors is what such hatchet-wielding implies for the regulatory battle to come: the imminent National Grid price review.

Certainly it is difficult to spot any good news for the Grid. The Northern Irish regulator's assumptions on operating costs and the cost of capital, for instance, offer few grounds for optimism. Worse, his approach to fixing the company's regulatory asset base looks exceptionally tough. And by clawing back a chunk of past under-investment, the Northern Irish proposals imply a specific threat to the Grid, which has also underspent – though not to the same degree.

Nonetheless, investors should hold their nerve. For one thing, the fact that NIE is a power company is pretty irrelevant: the conclusions of the independent Northern Irish regulator are no guide to Professor Stephen Littlechild's thinking. And although both NIE and British Gas have recently been hammered, this does not add up to a clear picture: British Telecommunications and BAA each got away with cushy reviews in recent months.

Moreover, the Grid's share price is already discounting a harsh review: the yield on Grid shares, for instance, is still higher than NIE's. With so much gloom in the price, the balance of risk and reward now looks quite attractive.

Stagecoach

Pity the poor British taxpayer. Seven months ago Porterbrook, one of the rolling stock leasing companies, was privatised for £527m ($822m). Yesterday it was sold on to Stagecoach for – taking debt into account – £825m. And the stock market promptly celebrated another Stagecoach bargain, adding £100m to the company's market capitalisation.

It is not exactly o strategic move. True, by pooling purchasing with its bus operations, Stagecoach should be able to cut the leasing company's maintenance costs. But fundamentally, Stagecoach simply thinks the deal is cheap. How, though, can investors tell? The problem is that profits could fall off a cliff once the existing, mostly seven-year, leases come to an end. So the deal cannot just be judged on the basis that it should enhance medium-term earnings per share by 15-20 per cent.

Of course, looked at in other ways the deal still looks respectable. Take the £825m cost to Stagecoach; deduct the £535m securitised value of capital payments under existing leases; deduct, say, £100m for the net present value of maintenance profits. On that basis, the deal will stack up financially so long as the existing fleet can generate future profits, once existing contracts end, of more than £200m or so in net present value terms. This does not look too demanding a test.

But there is a broader lesson: Stagecoach is becoming a tricky company to value. Applying traditional price/earnings multiples to subsidiaries like leasing, or to the seven-year South West Trains franchise, is badly misleading. It is time for analysts to get out their discounted cash-flow models instead.

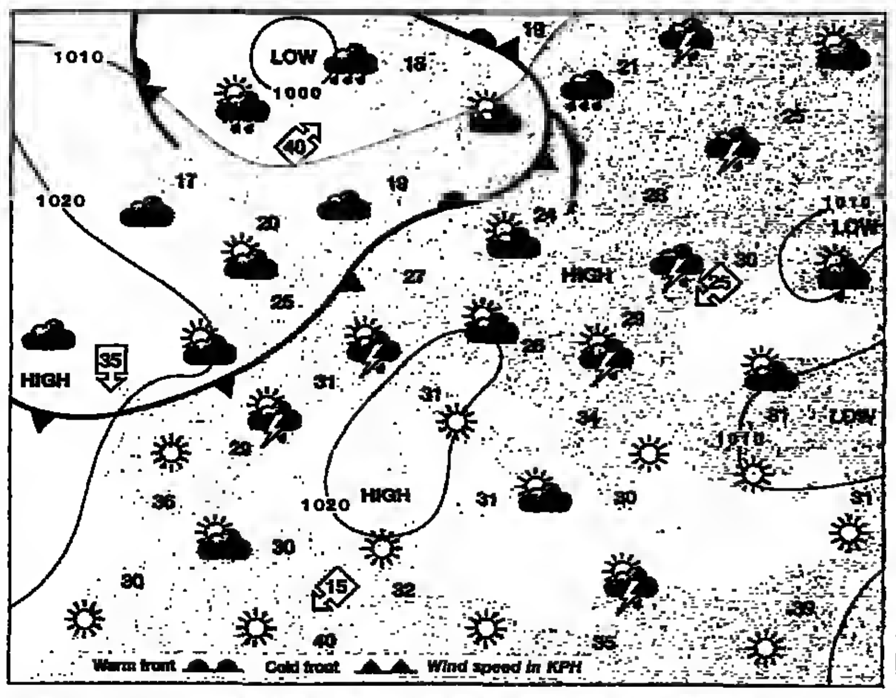
FT WEATHER GUIDE

Europe today

The eastern Mediterranean will continue warm and sunny with temperatures of 30C-35C. Showers and thunder storms will line up from the Balkans to the Ukraine and Russia. High pressure will promote sunshine over Italy and most of the Iberian Peninsula but northern Spain will have thunder showers. Most of France will have ample sunshine. Northern Germany and Poland will have a lot of cloud with patchy drizzle. Cloud will linger over the Benelux but western sections may clear. The UK will be unsettled as low pressure retreats towards Norway. Showers will alternate with sunny spells over Scotland but cloud and patchy rain will dominate most of Ireland, Wales and England.

Five-day forecast

The southern half of the UK will become more settled as high pressure gains influence tomorrow but showers will remain in the far north. Later this weekend, a surge of warm and moist air will precede a potent cold front over the UK. South-easterly winds will cause a warming trend over France, the Benelux and Germany from Saturday. The Alps and the northern Balkans will have thundery showers tomorrow.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	41
Accra	shower	28
Algiers	fair	30
Amsterdam	cloudy	20
Athens	sun	31
Atlanta	thund	33
B. Aires	fair	25
B.ham	drzzl	18
Bangkok	rain	33
Barcelona	fair	28
Beijing	shower	32
Belfast	drzzl	18
Belgrade	thund	27
Berlin	cloudy	24
Bermuda	fair	30
Bogota	cloudy	18
Bombay	rain	32
Brussels	cloudy	22
Budapest	fair	28
C.hagen	cloudy	20
Cairo	sun	38
Cape Town	rain	15
Caracas	fair	31
Cardiff	cloudy	18
Casablanca	sun	25
Chicago	cloudy	27
Cologne	cloudy	24
Dakar	thund	33
Dallas	fair	35
Delhi	cloudy	29
Dubai	sun	41
Dublin	fair	18
Dubrovnik	fair	29
Edinburgh	cloudy	19
Faro	sun	29
Frankfurt	cloudy	28
Geneva	fair	29
Gibraltar	sun	29
Glasgow	shower	17
Hamburg	cloudy	21
Helsinki	cloudy	20
Hong Kong	rain	30
Honolulu	fair	32
Istanbul	sun	29
Jakarta	fair	32
Jersey	cloudy	16
Karachi	fair	34
Kuwait	sun	46
L. Angeles	fair	25
Las Palmas	sun	26
Lima	cloudy	18
Lisbon	sun	27
London	fair	22
Lux.bourg	cloudy	24
Lyon	fair	30
Madeira	fair	26
Madrid	sun	38
Majorca	sun	29
Malta	sun	30
Manchester	drzzl	18
Manila	cloudy	34
Melbourne	rain	14
Mexico City	fair	29
Miami	fair	33
Milan	fair	28
Montreal	rain	25
Moscow	thund	22
Munich	fair	29
Nairobi	fair	25
Naples	fair	31
Nassau	shower	33
New York	shower	28
Nice	sun	29
Nicosia	sun	38
Oslo	rain	18
Paris	fair	25
Perth	rain	16
Prague	fair	26
Rangoon	rain	31
Reykjavik	shower	14
Rio	fair	22
Rome	sun	31
S. Frsco	sun	22
Seoul	fair	33
Singapore	fair	32
Stockholm	shower	21
Strasbourg	fair	29
Sydney	sun	18
Tangier	sun	29
Tel Aviv	sun	34
Tokyo	cloudy	30
Toronto	cloudy	24
Vancouver	rain	21
Venice	fair	27
Vienna	fair	28
Warsaw	cloudy	24
Washington	thund	31
Wellington	rain	12
Winnipeg	fair	29
Zurich	thund	27

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday August 1 1996

IN BRIEF

Eurotunnel wins deadline extension

Eurotunnel, the troubled operator of the Channel rail link, said the deadline for a deal with creditor banks to reschedule its £8.4bn ($13bn) of debt had been extended. Mr Robert Badinter and Lord Wakeham (left), the two mediators appointed by a French court to help ease discussions between executives, bankers and shareholders over the debt rescheduling have had their mandate extended for a second time until September 30. Page 15

Employers Re in talks with rival
Employers Re, the reinsurance company owned by General Electric of the US, is understood to be in talks to acquire American Re, a smaller rival, in a transaction that would continue the wave of consolidation that has been sweeping the sector. A sale, if completed, would also conclude one of the most successful recent investments made by Kohlberg Kravis Roberts. Page 12

Hugo Boss cuts a dash
Favourable exchange rates and stronger sales helped Hugo Boss, the German men's clothing company, beat its expectations in the first six months, with net profits rising 8.5 per cent to DM30.9m ($20.91m). Page 13

DSM falls 40% in first half
DSM, the Dutch chemicals group, yesterday reported a 40 per cent fall in first-half profits following last year's decline in the prices of petrochemicals and plastics. The group's net profits fell to Fl 413m ($248m), from Fl 693m last year. Page 13

Bass buys stake in Czech brewer
Bass, the UK brewing and leisure group, has acquired a stake of 20 per cent in Pivovar Radegast, the second largest Czech brewer. The holding has been built up during the last six months at a cost of about £18m ($28m) as the UK group aims to acquire leadership of the Czech Republic's beer market. It has bought 160,000 shares at prices between Kc4,000 and Kc4,800 a share. Page 13

Further warning from Pilkington
Tough trading conditions and weaker prices in France and Germany hit first-half profits at the glassmaker Pilkington, Sir Nigel Rudd, chairman, warned. The warning, the second this year, caused shares in the company to ease 7p to 183p. Analysts now believe pre-tax profits may be no better than the £212m ($329m) achieved last year. Page 14

Stagecoach bids for Porterbrook Leasing
Stagecoach, the fast-growing bus and rail company, yesterday risked a referral to the Monopolies and Mergers Commission with a £825m bid for Porterbrook Leasing, a railway rolling stock leasing company. Page 14

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)				Club Med	403.5	+	14.5
Rises				[illegible] France	345	+	15
Allianz	2780	+	83	Renault	116.6	+	5.2
Falls				Falls			
[illegible] Werke	105.1	-	3.9	[illegible]	3500	-	100
Linotype	547	-	22	Union Immob Fr	424	-	18
Linde	927	-	12	**TOKYO (Yen)**			
Varta	308	-	8	Rises			
Zanders Feinpap	92	-	4	[illegible] Corp	416	+	29
NEW YORK ($)				[illegible]	343	+	15
Rises				Kaneko	283	-	14
Amer Re	56⅛	+	4⅝	Koito Mauf	735	-	31
HCC Ins	26⅜	+	1⅜	M'bishi Steel	566	-	22
Safe	31⅛	+	2⅝	Takara Shuzo	944	-	41
Scherer (RP)	44	+	2¾	**HONG KONG (HK$)**			
Falls				Rises			
Central Park	27⅛	-	1⅜	Chi Cheung	2.7	+	0.325
Santa Isabel	27¼	-	2¼	Nat Mutual	6.2	+	0.4
LONDON (Pence)				Shanghai Ind	11.85	+	0.45
Rises				Falls			
Costain	86	+	11	Founder (HK)	2.5	-	0.2
Stagecoach	542½	+	60½	MC Packaging	2.975	-	0.125
Falls				Truly Intl	1.98	-	0.22
CPL Aromas	285	-	100	**BANGKOK (Baht)**			
[illegible] Ireland B	333	-	53	Rises			
Tead	205	-	35	Intl Eng	126	+	11
Vision	235	-	50	Sym Mun Kong	145	+	13
TORONTO (C$)				Yonghai Chem	27.5	+	2.5
Rises				Falls			
Great Lake Pwr	26.25	+	1.8	Hana Micro B	129	-	14
QLT Photother	20.4	+	0.9	Kuangthai Th	94	-	10
Royal Plastics	18.8	+	0.85	Securities One	183	-	17
Spiffay Sftar	30	+	2				
Falls							
Fulcrum Tech	16.95	-	0.8				
Vertex Energy	12.5	-	1				
PARIS (FFr)							
Rises							
Alcatel	409	+	11				

New York and Toronto prices at 12:30.

USAir links BA action to Virgin case

By Michael Skapinker, Aerospace Correspondent

USAir, which is suing British Airways and American Airlines over their proposed alliance, is pressing for the case to be heard by the judge who is presiding over Virgin Atlantic's action against BA.

In a letter to Judge Miriam Cedarbaum of the federal district court in New York, USAir's lawyers say there are strong similarities between the two cases. The lawyers say both cases involve BA monopolising or conspiring to monopolise air routes between the US and the UK.

USAir's announcement this week that it was to sue BA and American over their alliance stunned both airlines. BA owns 24.8 per cent of USAir and has three representatives on its board, including Mr Robert Ayling, BA's chief executive.

USAir said last night that US law requires a plaintiff to inform a judge when it wants to bring a case similar in nature to one already being heard. Linking its case to Virgin's allies USAir with an airline which has campaigned against BA for years, both inside and outside the courts.

BA and Virgin recently settled a UK legal action over the "dirty tricks" affair. Virgin accused BA of several unfair practices, including hacking into its computers to obtain information about its customers. In 1993 BA paid £610,000 in libel damages to Mr Richard Branson, Virgin's chairman, after accusing him of making the allegations to win publicity.

Last year, BA agreed to pay Virgin £265,000 to settle the dirty tricks affair in the UK. Because the two sides agreed to contribute to each other's legal costs, Virgin ended up paying BA a net £133,000.

Virgin said it would continue with its legal action against BA in the US, where the case has been heard by Judge Cedarbaum. Last year she dismissed five of Virgin's claims against BA but has allowed another three anti-trust claims to stand.

Virgin has been one of the most vigorous campaigners against the BA-American alliance, saying it would have a stranglehold over UK-US air traffic. BA and American account for 60 per cent of flights between the two countries.

In their letter, USAir's lawyers say: "A comparison of the complaint in the USAir action with the complaint filed by Virgin Atlantic in the action already pending before Your Honour reveals a similarity of facts and legal issues based upon similar events."

The letter says that "by a variety of exclusionary acts, BA, in this case along with AA, has engaged in conduct to increase their dominant position in providing scheduled airline passenger services between the US and the UK . . . including service between the US and Heathrow airport."

Viacom confirms earnings slide

By Richard Waters in New York

Viacom, the US entertainment giant, yesterday confirmed market fears of a sharp slide in its earnings during the second quarter.

The news follows a share price slump that has seen the New York company's stock fall by 20 per cent in the last two months, and comes amid a lack of stock market enthusiasm for sprawling entertainment entities created by recent mergers, of which Viacom's acquisitions of Paramount Pictures and Blockbuster Video were among the first.

The slide in the share price of Viacom – which also owns such prominent industry names as MTV and Simon & Schuster – has reflected uncertainty about the company's future as well as a belief that it would not meet earlier, high expectations for earnings this year.

Mr Sumner Redstone, Viacom chairman, dispensed with Mr Frank Biondi, its well-respected chief executive, in January over concerns about the time the company was taking to integrate its disparate operations.

Viacom has yet to outline how a new management team at Blockbuster Video plans to halt that unit's sliding profit margins.

For the latest three months, Viacom reported a fall in operating cashflow, or EBITDA (earnings before interest, tax and depreciation,) the measure by which the heavily indebted company's performance is generally assessed. By this test, its cashflow in the three months to the end of June fell by 15 per cent, to $468m, in spite of a 3 per cent rise in revenues, to $2.85bn.

Redstone: concerns

The comparison with 1995 suffered from the absence this summer of a box office movie hit to compare with Forrest Gump, which was enjoying a strong international release and US video sales this time last year.

Of the company's four main businesses, only its television unit registered an advance in operating cashflow, thanks to the international growth of the MTV and Nickelodeon channels. That led to a 6 per cent growth in cashflow from network and broadcasting activities, to $184m.

The steepest decline came from entertainment, where cashflow slipped 37 per cent to $94m. Blockbuster's earnings on this basis fell 18 per cent to $158m, in spite of an 18 per cent rise in revenues to $960m. This in part reflected the difficulties the company has had in music retailing. Publishing, meanwhile, recorded operating cashflow of $58m, a fall of 8 per cent.

In spite of the disappointing earnings, Viacom moved ahead with plans to cut its borrowings. The second quarter brought formal approval for its plan to shed its cable television operations, which will enable it to reduce debt by $1.7bn.

Viacom reported an after-tax profit of $28m, or 7 cents a share, including earnings from its discontinued cable business, compared with $38m, or 10 cents a share, the year before.

In early trading Viacom shares rose $¼ to $34⅜.

Glaxo exceeds expectations with 34% first-half rise

By Daniel Green in London

Glaxo Wellcome, the drugs company, yesterday confirmed its position as one of the most profitable businesses in the UK with a higher than expected increase of 34 per cent in first-half pre-tax profits to £1.55bn ($2.4bn).

However, the company warned that the rate of increase was likely to be lower in the second half because of higher spending on new product launches.

It added that first-half profits had been flattered by comparison with the first half of 1995. In January 1995, Glaxo launched a hostile £9.1bn bid for Wellcome, its UK rival. Subsequent uncertainty over jobs distracted the workforce and depressed performance, said Mr John Coombe, finance director.

The first-half trading profit margin of 38.8 per cent compared with 31.9 per cent a year ago, but would be lower for the whole year, he said.

Glaxo Wellcome shares fell 4½p to 894½p.

The dependence on cost-cutting to drive profits growth was underlined by the pro forma and constant exchange rates rise in sales of just 5 per cent to £4.2bn.

Growth was held back by a 16 per cent fall to £1bn in the sales of Glaxo's biggest product, Zantac, an ulcer drug, which is being hurt by competition, especially in the US, from new drugs such as Losec, made by Sweden's Astra. Zantac's US sales fell 22 per cent.

Excluding Zantac, Glaxo's sales grew 14 per cent, in line with its main US competitors. Higher sales of new products – those launched since 1990 – more than made up for Zantac's decline. These products include Imigran for migraine and Serevent for asthma.

Sir Richard Sykes, chief executive, said there were further costs to be cut as a result of the takeover of Wellcome, especially in manufacturing. But he said that the period of large-scale pharmaceutical industry mergers and takeovers may have ended.

The debt taken on by the company as a result of the Wellcome deal fell from £3.2bn at the end of 1995 to £2.7m at the end of June 1996.

Mr Coombe said that since then it had fallen by a further £600m owing to the sale to its joint venture partner Warner-Lambert of its stake in the venture.

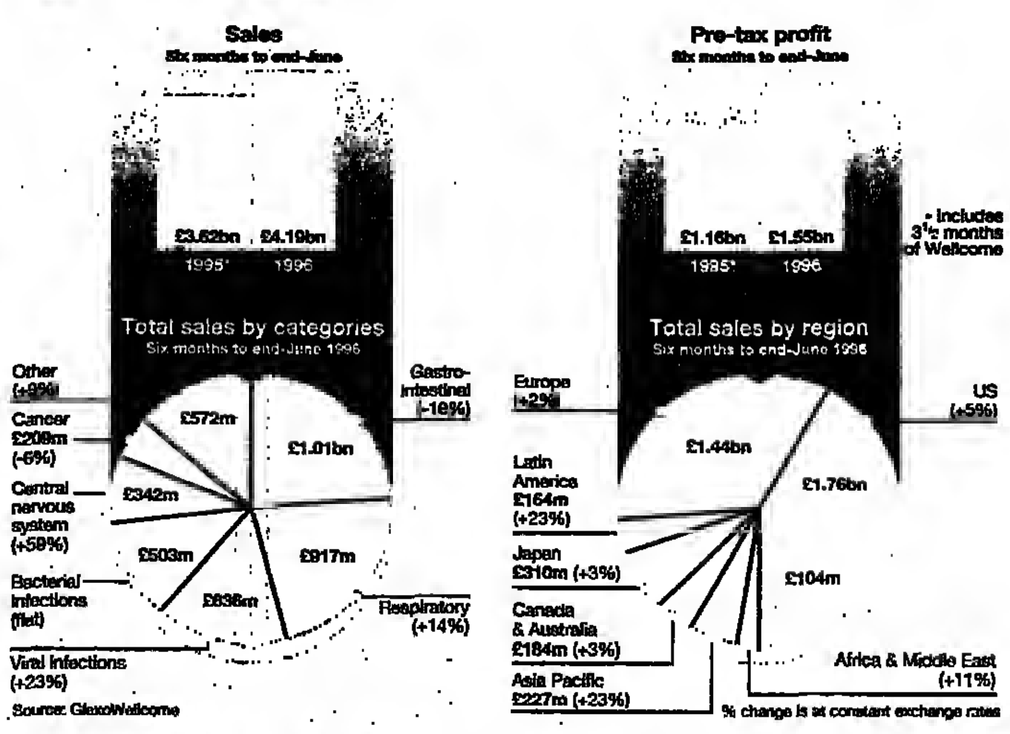
Glaxo's first-half dividend is 15p, compared with a dividend for all 1995 of 30p (a change of financial year-end meant that there was no interim dividend a year ago).

Mr Coombe said that the dividend increase for the full year would be in line with the increase in earnings per share. Earnings for the first half rose 23 per cent to 29.7p.

Sir Richard said that an increasingly important part of the company's business would be outside its traditional markets of the US, western Europe and Japan. The fastest growing of the company's operations were in Asia-Pacific, where sales rose 23 per cent to £227m, and Latin America, which saw a similar rise to £164m.

Lex, Page 10; Product winners and losers, Page 15

Healthy improvement



Source: GlaxoWellcome

KNP predicts imminent upturn in paper market

By Gordon Cramb in Amsterdam

KNP BT, one of Europe's biggest paper and packaging companies, yesterday predicted an imminent revival in the depressed paper market, saying there were signs that the low point had passed.

"Pulp prices are increasing and paper prices are expected to rise after the summer," said Mr Rob Bonnier, a KNP director. Destocking among customers appeared to have ended.

Mr Bonnier made the prediction while unveiling a 63.7 per cent slide in the Dutch company's first-half net profits to Fl 101m ($61m). Although this was below analysts' expectations, shares in KNP rose Fl 1.10, or 3 per cent, to close in Amsterdam at Fl 37.50 as the market drew hope from the better outlook.

Sales fall 10 per cent to Fl 6.71bn, though this was largely the result divestments. Stripped of disposals, revenues were down 2 per cent.

KNP has also been making acquisitions – in the latest quarter it added office products distributors in the US and Germany, a French paper merchant and 80 per cent of Karton Morava, a Czech producer of corrugated board packaging.

For the three months to June, earnings were down 67.5 per cent at Fl 51m, or Fl 0.41 a share.

Prices for coated paper during the three months were between 10 and 17 per cent down on the already weak levels obtained in the January-March period this year. Woodfree grades were approaching historic price lows, Mr Bonnier said.

These low prices helped push KNP Leykam, the graphics paper offshoot, into the red with operating losses of Fl 17m against profits of Fl 118m a year earlier.

On the packaging side, corrugated board and other protective products "generally recorded good results".

Overall, the third quarter is expected to remain poor but KNP forecast that "results in the second half of this year will be somewhat higher than those of the first six months".

The 120-year-old paper group this week launched a lawsuit against KPN, the Dutch posts and telecoms utility, because of the confusion it alleges is caused by the similar acronym.

France may move on partial sale of Crédit Lyonnais

By Andrew Jack in Paris

The French government is considering the rapid sale of a stake in Crédit Lyonnais, the state-controlled bank, as part of the effort to tackle its continuing financial problems.

Some civil servants, bank executives and their advisers believe a quick move towards partial privatisation might help warm the EU competition authorities in Brussels to a probable modification in the FFr135bn ($27bn) restructuring for the bank approved last year.

Participants in the discussions stressed that the idea of the sale of a significant stake of the bank was only one of a number of options as they struggled to find ways to reduce Crédit Lyonnais' heavy operating costs and the impact of the restructuring plan.

Publicly, officials denied yesterday that such a sale was under consideration. They also stressed that there was no question of any modifications to the plan, which would require fresh approval from Brussels and probably also from the French parliament.

However, there is believed to be a growing realisation at senior political levels that the plan must be modified, following indications that it is proving too costly and will drag Crédit Lyonnais into heavy losses again during 1996.

The decision could be eased by the fact that the plan was brokered under a previous political administration – when Mr Edouard Balladur was prime minister – and ultimately ratified by Mr Alain Madelin, the former economics and finance minister who resigned a year ago.

Those involved in the discussions are keen to keep details of the changes secret to ensure that they can negotiate with Brussels on the best possible terms.

The hope is that the changes will be made in time to make an announcement when the bank reports its half-year results, which are due at the end of September. That would avoid the need to report substantial new losses.

Analysts are predicting that in the absence of any changes, Crédit Lyonnais – which narrowly scraped back into profit for 1995 – will report losses of at least FFr1bn for 1996, after absorbing an additional FFr3bn in financing charges related to the restructuring.

These costs come on top of the burden caused by the fall in interest rates over the past few months in France, which has hit the bank hard because it had been locked into a significant amount of borrowings at high fixed rates.

The restructuring plan brokered during 1995 involved removing FFr135bn in assets from Crédit Lyonnais's balance sheet for sale, with the transfer financed by a loan from the bank on which it is reimbursed at below-market interest rates.

Possible modifications would include abandoning or reducing the size of the loan Crédit Lyonnais was forced to make, or modifying the below-market interest rate at which it is reimbursed by provide it with greater flexibility.

Earlier last month, the bank securitised FFr40bn of the loan to the state-backed institution selling off its former assets.

It has already launched management initiatives to help improve its performance, as well as asset sales and job cuts.

NEWS DIGEST

Australis warns on US note offering

Australis Media, the Australian pay-TV operator, has again warned that its "ability to continue as a going concern" depends on the success of its proposed US$225m secured discount note offering in the US.

The company, which has been facing big losses as it attempts to build up its subscriber base, recently announced it had secured new equity commitments, worth around A$63m (US$49.6m), and a US$125m interim bank facility. But it said yesterday that about US$115m had already been drawn under the facility, and that it was likely to be fully drawn during August. However, Australis maintains that the facility should provide sufficient funds to launch the proposed recapitalisation plan, whose ultimate success will depend on the US debt offering.

Trading in the company's shares was halted last week after details of the draft offering memorandum leaked. They were later suspended as the Australian Stock Exchange sought clarification. Trading recommenced yesterday, after Australis said that the US authorities would not permit the draft memorandum to be made public, since the offering was unregistered. However, it agreed to provide select details.

"If the company is precluded from proceeding with its proposed unregistered offering, the company will have few options but to commence the asset sale process necessary to ensure the repayment of the interim bank facility," it cautioned.

Meanwhile, in Canberra, Professor Allan Fels, chairman of the Australian Competition and Consumer Commission, warned that any move by Mr Rupert Murdoch's News Corporation to take a controlling interest in John Fairfax, the country's leading newspaper group, would breach Australia's trade practices laws.

"Any simple move by News on Fairfax would clearly be a breach of the Trade Practices Act, and I have not considered more complex scenarios that are sometimes *talked about*," Prof Fels said. News currently holds a small stake in Fairfax, below 5 per cent.

Nikki Tait, Sydney

IPO gain lifts Megaworld

Megaworld Properties, one of the Philippines' fastest-growing real estate companies, lifted net profits by more than 300 per cent in the first half, to 1.57bn pesos (US$60m), mainly because of a non-recurring gain from the initial public offering of a subsidiary.

After stripping out the 800m peso gain from the listing this year of Empire East Land Holdings, Megaworld's net profits grew 70 per cent to 770m pesos. Revenue leapt from 7.7bn pesos to 20.6bn pesos in the first half.

Analysts said sales at Megaworld's high-end residential condominium business continued to drive the company's growth, while high capital expenditure on forthcoming projects, such as the Eastwood City project in Manila, would guarantee future earnings.

There were still doubts, however, over the pace of Megaworld's expansion, and on its highly-leveraged construction programme. Property analysts predict, at the very least, a modest downturn in the country's high-end real estate sector around 1998 or 1999.

Edward Luce, Manila

International side aids Air Canada

Continuing strong growth in Air Canada's international passenger revenues helped offset heavy domestic fare discounting in the second quarter and first half of this year. Net profit in the quarter, including a C$129m (US$93.9m) gain on the sale of Continental Airline shares, was C$111m, or 68 cents a share, against a loss of C$20m, or 16 cents, a year earlier. Total revenues were C$1.2bn compared with C$1.1bn.

At the operating level, net income was C$37m against C$46m, though revenues rose 11 per cent. Pay, fuel, depreciation and maintenance costs were all higher. Revenues from international passenger services rose 27 per cent, but were flat in the domestic market in spite of 8 per cent growth in traffic. Overall passenger revenue per available seat mile dipped 2 per cent.

First-half net profit was C$18m, or 7 cents a share, against a loss of C$108m, or 83 cents, on revenues of C$2.3bn compared with C$2.1bn. Air Canada, the biggest Canadian airline, is refinancing leases on 13 Airbus 320s, reducing long-term debt, and paring unit costs by increasing volume and improving productivity.

Robert Gibbens, Montreal

NZ stationery deal probed

The New Zealand Commerce Commission is investigating the purchase of bookseller and stationery group Whitcoulls by US Office Supplies subsidiary, Blue Star Group. Blue Star announced recently it was paying US$220m to buy Whitcoulls, the country's biggest stationery group, as a springboard to developing its interests in "the English-speaking" parts of Asia. Whitcoulls also owns one of the biggest bookselling chains in Australia.

Blue Star recently acquired two other large New Zealand companies which, with Whitcoulls, would give it 80 per cent of the New Zealand stationery and office supplies market.

Terry Hall, Wellington

Falling prices hit Nova

Falling petrochemical prices reduced second-quarter earnings sharply at Nova, the Canadian energy group. Net profit was C$103m, or 22 cents a share, down from C$211m, or 44 cents, a year earlier. Revenues were C$1.12bn against C$1.19bn. Petrochemicals contributed C$46m against C$167m, with lower polyethylene, styrene and propylene prices. The pipeline business was strong and international earnings were up.

Robert Gibbens

GE reinsurance unit in talks on American Re

By Richard Waters in New York

Employers Re, the reinsurance company owned by General Electric of the US, is understood to be in talks to acquire American Re, a smaller rival, in a transaction that would continue the wave of consolidation sweeping the sector.

The prospect of an acquisition of American Re pushed the shares up $4¾ yesterday morning in New York, to $55⅝, valuing it at $2.7bn.

Yesterday's rise caps a rally in the company's shares following another recent US reinsurance acquisition, the purchase of National Re by General Re.

A sale, if completed, would also conclude one of the most successful recent investments by Kohlberg Kravis Roberts, the New York buy-out specialist. It paid $10 a share, or $302m, for the equity in American Re in 1992, in a transaction valued at $1.4bn in all, including debt. KKR later sold a 39 per cent interest on the stock market at $31 a share, and its remaining 61 per cent stake was valued by the market yesterday at more than $1.6bn.

The GE subsidiary is thought to be the only company in active talks about buying the reinsurer, in spite of approaches to other potential buyers that could have prompted a bidding war.

Munich Re, one of the companies believed to have cast its eyes over American Re, yesterday played down its involvement, saying it had not approached KKR about a purchase and that it was not interested in getting into a bidding contest.

With around 80 per cent of its business in the US, however, American Re would fit neatly into Munich Re's expansion plans.

"They [Munich Re] need to get bigger in the US," said one person close to the America Re talks.

Other potential buyers have also shown little inclination to bid, he said. The potential candidates are limited by American Re's size, and by the fact that the company uses its own sales force, rather than brokers, to attract business. This latest consideration would make it of interest only to companies that do business the same way.

As a result, the only other potential buyers are thought to be General Re and Swiss Re. For its part, General Re is thought to be busy completing its purchase of National Re.

Meanwhile, Swiss Re, it is understood, did not throw its hat in the ring, in spite of ambitions to overhaul and expand its US operations.

At yesterday's price, American Re's shares were trading at roughly 14 times Wall Street's estimate of the company's earnings for 1996, of $3.97 a share. This is a slightly lower multiple than that in the $900m agreed sale of National Re last month.

Other sales of reinsurance companies in recent weeks have included Allstate's disposal of its operations in this area to Scor, the French reinsurer, and the purchase of Skandia American by Fairfax.

The wave of transactions has been driven in part by a desire among reinsurers to develop a global reach. It also reflects a belief that, by getting bigger, the reinsurers will be able to take on a larger share of their customers' risks, improving their ability to set prices.

Bank of China restructuring proves costly

Reforms to raise competitiveness have cut profits, despite income growth, writes Tony Walker

Bank of China is finding reform of its country's financial markets to be a mixed blessing. The bank, which until recently had a monopoly of the country's foreign exchange trading, is facing new competitive pressures.

"Lines between banks are becoming blurred," says Mr Wang Zuebing, president of the BoC. "This offers opportunities on one hand, but it also poses significant challenges. Bank of China is now playing in an arena in which a lot of people are fighting."

With its comfortable existence as virtually the sole mediator between Chinese state trading corporations and the outside world a thing of the past, the BoC is undergoing sweeping reform to cope with the new realities, which have cut after-tax profits by about 30 per cent since 1993 to $563m last year.

Mr Wang says the fall was the result of a big restructuring, including the accelerated development of a new branch network and computerisation.

Since 1985, when China began tentatively *reforming* its financial sector with the eventual aim of "commercialising" its debt-burdened, state-owned banks, BoC has been building a domestic network to gather local currency deposits. It is preparing for the day when the Chinese yuan becomes convertible and tradeable as an *international currency*.

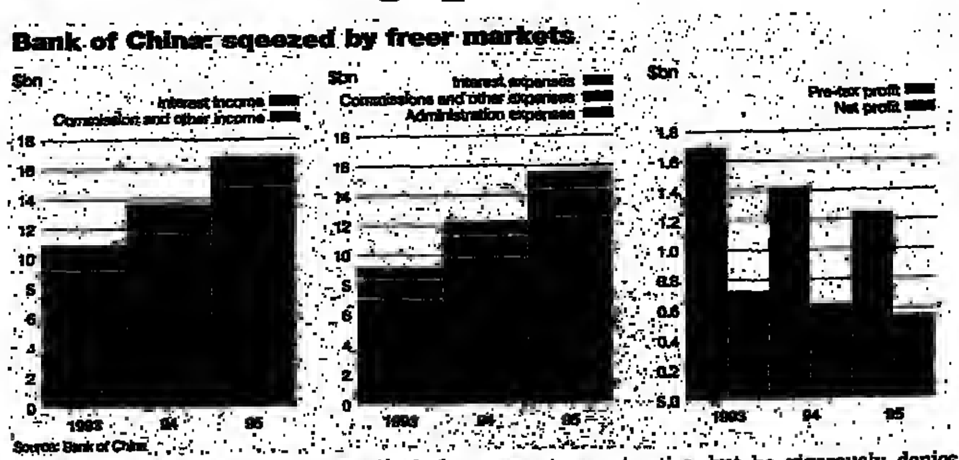
"Apart from consolidating our foreign exchange activities, we have started quite actively to participate in the local currency business," Mr Wang says. "We started from zero but in the past decade Bank of China has concentrated on expanding its domestic network to attract deposits."

At the end of 1995 local currency deposits stood at Yn390bn ($45bn) and have been growing at an average rate of 32 per cent in recent years. They account for about 10 per cent of the bank's total deposits. BoC has also become more active in local currency lending, granting loans last year of Yn418m, or about 10 per cent of all loans issued by state-owned banks.

But while the bank's local currency business has been expanding rapidly, it has been obliged to fight hard to preserve its dominance of foreign exchange trading. As Mr Wang observes ruefully, some 14 Chinese banks are now allowed to deal in foreign exchange, plus an additional 137 foreign or *joint-venture* banks.

Last year BoC was involved in arranging 48 per cent by value of the country's foreign trade, totalling some $281bn. Its share of all foreign exchange transactions stands at about 70 per cent.

Mr Wang says BoC is striving to improve the quality of its assets in anticipation of increasing competition, including making greater efforts to recoup overdue loans. He estimates problem loans account for about 5 per cent of the bank's loan portfolio, while bad debts account for about 2 per cent of total loans outstanding.



BoC *has also begun to apply* international standards to the classification of "problem" loans. It classifies loan repayments which are more than 90 days late as overdue. In contrast, the Chinese ministry of finance applies a three-year criteria.

The bank has been *increasing equity as part of its move* to improve capital adequacy ratios to meet Bank of International Settlements standards. It has also improved its prudential arrangements, having set aside Yn3.9m last year for provisions.

Mr Wang has claimed a capital adequacy ratio for the BoC of 13 per cent, but critics are sceptical. In a recent report which posed the question "Just how bad are Chinese banks?", Mr Joe Zhang, a Hong Kong-based economist with brokers W.I. Carr, suggested the BoC barely meets the 8 per cent BIS minimum requirement.

Mr Wang blames difficult conditions, including inflation, *thin margins* on lending rates and a credit squeeze for the bank's profit slide in the recent years. He describes the expansion of the domestic network *as a priority* which would pay off in the longer term.

The bank, whose credit rating has been downgraded by Moody's in the past year, has attracted unwelcome publicity in the form of a report in the Shanghai Securities News of $175m in foreign exchange trading losses by the bank's Shandong branch.

Mr Wang says officers of the Shandong branch had been involved in "criminal" activities, but he vigorously denies the claim that BoC had made substantial foreign exchange trading losses.

The BoC president says that apart from consolidating its foreign exchange trading activities and building a domestic network, the bank is keen to expand activities abroad. He adds that aside from Hong Kong – which accounts for 85 per cent, or $136bn of overseas assets – BoC plans to make a stronger push in Latin America and to resume operations in Indonesia, Thailand and Malaysia.

China's growing regional trade makes it desirable for the bank to have a stronger presence in south-east Asia. BoC is also studying the feasibility of opening branches and offices in Africa and the Middle East, and is in the process of launching an investment bank in London.

"Bank of China has always followed trade flows wherever they go," Mr Wang says.

Horsham edges ahead in quarter

By Bernard Simon in Toronto

Horsham, the investment holding company controlled by Canadian entrepreneur Mr Peter Munk, posted a modest rise in second-quarter earnings. Improvements at Trizec, the North American property developer, and Clark USA, an oil refiner and distributor, were partly offset by a lower contribution from Barrick Gold.

Net earnings rose to US$12.9m, or 11 cents a share, in the three months to June 30, from $11.2m, or 10 cents, a year earlier. Cash and cash-equivalent reserves stood at $511.8m on June 30, more than double the level at the beginning of the year. Long-term debt totalled $840.6m, up from $600m.

Trizec, which is 48 per cent owned by Horsham, contributed $4.5m, up from $4m. The Toronto-based developer is shifting its focus towards high-yielding properties in the US and eastern Europe.

Horsham's share of losses at 46 per cent-owned Clark fell to $1.5m from $1.7m. It also benefited from a $0.9m dilution gain on Clark shares.

Barrick, 16.3 per cent owned by Horsham, contributed $10.3m, down from $11.3m. Barrick last month launched a C$970m (US$706m) bid for Arequipa Resources, whose main asset is a promising gold property in Peru. Barrick said its C$27 a share cash offer would remain open until August 20.

Tax-change windfall helps PLDT improve profits 25%

By Edward Luce in Manila

The Philippine Long Distance Telephone Company (PLDT), the former state-owned telecoms monopoly, yesterday attributed better than expected first-half earnings to its rapidly expanding customer base and changes in the government's tax system.

PLDT, the most-watched Philippine American Depositary Receipt on the New York Stock Exchange, said net profits grew 25 per cent to 2.92bn pesos (US$111.5m) in the first half of 1996, while revennes grew 15 per cent to 13.76bn pesos.

Analysts said the replacement in March of the 3 per cent franchise tax with a 10 per cent value-added tax had given PLDT a significant, but one-off, revenue windfall. PLDT had *to* pay the franchise tax itself, whereas VAT can be passed directly ou to customers.

The company's shares, which are trading at a price/earnings ratio of abont 20, closed 20 pesos up in Manila yesterday at 1,530 pesos.

"These are certainly better results than expected, but a lot of the gain came from the tax changes, which will only benefit PLDT this year," said Ms Alexandra Connor, senior analyst at W. I. Carr in Manila.

"Underlying growth was not as impressive as the first-half results might suggest."

Brokers said the expected introdnction next year of metering charges on local calls would probably offset the tightening of margins on PLDT's traditionally lucrativs international operations.

PLDT's share of international traffic, which brings in 60 per cent of the company's revenne, is expscted to drop from about 80 per cent in 1996 to 60 per cent by 2000.

The rapid expansion of the company's domestic operations, with a predicted 300,000 new land-lines to be installed in 1996 as part of PLDT's four-year Zero Backlog programme, would also soften the impact of the recent liberalisation of the domestic market, said brokers.

The country's "tele-density" (the number of telephones per head) is expected to climb 400 per cent over the next decade, with PLDT supplying most of the handsets.

"It is misleading to look at PLDT's market share, which is inevitably going to drop quite fast as PLDT's competitors get stronger," said Mr Noel Reyes, chief researcher at Anscor Securities.

"The overall market is growing so rapidly that *PLDT* has plenty of room for double-digit earnings growth over the next few years."

Chevron in North Sea oil disposals

Chevron, the US oil group, is selling North Sea interests worth $140m to Oryx, another US energy company, writes Stefan Wagstyl. They include stakes in mature fields, such as Ninian in the North Sea, which Chevron wants to sell in order to concentrate its resources in developing new areas.

Oryx plans to save costs by consolidating the newly-acquired interests with existing stakes in producing fields.

Chevron will lay off 292 of its 719 UK staff, mostly employees running the Ninian field. However, some will be re-employed by Oryx, which intends to take over operating the field.

The acquisition of Chevron's 23.63 per cent stake in Ninian takes Oryx's interest to 53.17 per cent. The deal also covers Chevron's stakes in the Lyell, Hutton, Murchison, and Columba B fields, and the Sullom Voe terminal.

Microsoft launches Windows NT 4.0

By Paul Taylor in London

Microsoft, the world's largest software company, yesterday launched the latest version of its Windows NT operating system, aimed at extending its push into the corporate computing market.

Microsoft said its Windows NT 4.0 server software and Windows NT 4.0 workstation, the version of the software that runs on desktop machines, would be available to users by the end of August.

The new software is designed to be easier to use and manage than the current version, which has been making significant gains in the corporate computing market, mainly in competition with Unix operating systems.

Microsoft also claims it is faster than earlier NT versions and provides greater support for corporate intranets – internal networks based on Internet standards. Version 4.0 of the workstation software also brings a Windows 95-style graphical interface to the software.

The US software group has spent "well over $400m" to date on development of NT, which was considered a failure after its launch in July 1993, but which formed the core of a $1bn business for the software company in the fiscal year that has just ended.

Microsoft hopes to sell 850,000 Windows NT 4.0 server units this year, up from 450,000 units of the NT 3.1 server sold in fiscal 1996. The software group also predicts strong growth for Windows NT 4.0 workstation, which sold more than 1m units last year.

Meanwhile, Mr Bill Gates, Microsoft chairman, said the installed base of the software group's Windows 95 operating system would pass 40m units in August, a year after the product's launch.

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NEWS DIGEST

BCP ahead 10% at midway stage

Strong security trading gains and higher interest income helped Banco Comercial Português, Portugal's second biggest banking group, increase net income to Es10.8bn ($71m) in the first half of 1996, up 10.1 per cent from Es9.8bn in the first six months of 1995. The rise in income offset a dilution of earnings following a capital increase from Es109.7bn to Es136.7bn earlier this year, allowing for a 5.1 per cent increase in earning per share, to Es94.1. But results for the two periods are not directly comparable, because BCP only began consolidating the results of Banco Português do Atlântico from April 1995 following a Es306bn takeover.

Profits from security trading more than doubled to Es36.3bn. Net interest income rose 30 per cent from Es49.4bn in the first half of 1995 to Es64bn. BCP's net interest margin – the difference between the rates at which banks borrow and lend funds – rose for the second consecutive quarter to 3.1 per cent in the first half of 1996. This in part reflected a decrease in the cost of financing the BPA acquisition, BCP said. Total assets fell from Es5,444bn to Es5,265bn. Total deposits fell 8.9 per cent to Es4.07bn and loans to customers increased 6 per cent to Es2,093bn. *Peter Wise, Lisbon*

Zurich Insurance loses triple-A

Zurich Insurance, the second biggest Swiss insurance company, has become the first of the big three Swiss insurers to lose its triple-A credit rating. Standard & Poor's, the US rating agency, has lowered its rating on Zurich's claims-paying ability to double A-plus. Zurich is the parent company and principal insurance company of the Zurich group, and S&P's downgrade follows a similar action by Moody's, another leading US rating agency, at the end of last year.

S&P said it had lowered its rating because Zurich was "becoming increasingly focused on shareholder value and that, as a result, prospective capital will not be maintained at levels consistent with a triple-A rating". The agency has also lowered the claims-paying ability of Zurich American Insurance Intercompany Pool, which includes a branch of Zurich as a pool member.

S&P had held Zurich's triple-A credit rating in the wake of Zurich's $2bn acquisition of Kemper, a US financial services group, because it had expected Zurich to raise new equity capital. Zurich had later issued a subordinated convertible bond, but S&P did not recognise that as equity capital.

Zurich said yesterday the downgrade was not justified given its "very strong financial performance" in recent years. It expected its various acquisitions in 1995 and 1996 would strengthen its balance sheet without compromising the solidity of its balance sheet. *William Hall, Zurich*

Merck unifies French units

Merck, the German drugs group, is merging its business activities in France under a new company, called Merck Lipha. It will comprise Merck's French drugs business, based at its Lipha unit in Lyon, and its laboratory and special chemicals business, based at Laboratoires Merck-Clevenot near Paris. Merck Lipha will be based in Lyon. Mr Jean Noel Treilles has been named as president and Mr Karl Heinz Peter as vice-president.

Lipha's German drugs side will be merged with Merck's German drugs unit as part of the reorganisation, Merck said. "Merck expects this reorganisation to lead to a streamlining of responsibilities and an even more effective development of its French business," the company said. Merck's group sales totalled FFr4.6bn ($917m) last year and the company employs 3,000 people in France. *Reuter, Darmstadt*

Finmeccanica in rail takeover

Finmeccanica, the Italian state-controlled industrial group, said it would take over the running of rail equipment companies Breda Costruzioni Ferroviarie, Avis, Cometra, CPA Sud and Bredamenarinibus. The groups belong to the state holding Efim, which is in liquidation.

It said assumption of managerial responsibility at these companies would precede their acquisition, which is due by December 31. However, the price had still to be decided, Finmeccanica said, adding that the deal was conditional on a governmental decree, approval by regulatory bodies and negative shareholders funds being erased by Efim's administrator. *AFX News, Milan*

Petrofina static at BFr6.7bn mid-term

By Neil Buckley in Brussels

Petrofina, the Belgian integrated oil company, reported only a slight increase in first-half net profits, from BFr6.61bn to BFr6.70bn ($220m), as a a poor performance in petrochemicals was offset by better results in refining and oil production.

Mr François Cornélis, chairman, had warned at the annual meeting in May that first-half net profits were likely to be static, with results from chemicals production down sharply against the first half of 1995, and the European industry suffering from overcapacity.

Group operating profits for the first six months, before charges and taxes, increased from BFr17.35bn to BFr17.66bn, on a rise in total sales and operating revenues from BFr279.9bn to BFr286.5bn.

Yesterday's figures showed operating profits in the chemicals business had dropped by more than half from BFr11.43bn to BFr5.39bn, while paints profits fell from BFr816m to BFr545m.

But Mr Cornélis said the chemicals performance was improving after reaching a low point in the final quarter of 1995, and the recovery had accelerated in the most recent quarter.

The result was much stronger in oil exploration and production, where operating profits jumped from BFr5.73bn to BFr10.65bn, and in refining, where they improved almost six-fold from BFr230m to BFr1.37bn.

Mr Cornélis said the upstream sector had benefited from higher crude oil and US natural gas prices, as well as a recovery in the dollar's value. Oil production had increased from 3.24m tonnes to 3.26m tonnes, although natural gas sales had fallen by from 3.08bn cubic metres to 2.74bn cubic metres.

The refining sector benefited from a recovery in European margins from $1.50 a barrel to $1.90, although prices for some refined products fell in the US. Sales through the Fina service station network improved 7.1 per cent.

Petrofina forecast the gradual recovery in petrochemicals would continue into the second half, but said the outlook for the refining business was less clear.

The company has launched a cost-cutting and investment drive with the aim of boosting annual operating profits from the downstream business by a total of BFr8bn over three years.

DSM tumbles 40% in first half

By Jenny Luesby

DSM, the Dutch chemicals group, yesterday reported a 40 per cent fall in first-half profits following last year's decline in the prices of petrochemicals and plastics.

The group's net profits fell to Fl 413m ($248m), from Fl 693m last year, on sales down 2 per cent at Fl 5.19bn.

Selling prices in the first half were down by 6 per cent, while the volume of sales rose by 1 per cent, helped by last year's acquisition of Chemie Linz, the Austrian fine chemicals business, which lifted sales by 4 per cent.

The most volatile division of the company was hydrocarbons and polymers, where operating profits fell from Fl 592m in the first six months of 1995 to Fl 72m. This represented an improvement on the second half of last year, helped by a recovery in plastics prices in the early months of this year.

DSM was one of several companies which extended plant closures or suffered a breakdown during this period, which helped to tighten supply and lift prices. With most of these plants now producing again, prices have started to fall.

DSM said polymer prices had slipped by 5 per cent in July, and the company was expecting the traditional weakening of demand in the third quarter.

Nonetheless, the company was still meeting its long-term profitability targets, Mr Louk Ligthart, a DSM director, said.

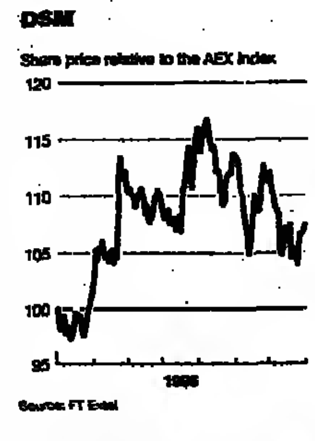
The first-half return on sales of 8 per cent, and return on equity of 16 per cent, were above the average returns that it aimed to achieve across the cycle.

The group had gained from higher sales prices for oil, and increased demand for fine chemicals, polypropylene and melamine. Its position had also been helped by a cost-cutting drive in the resins and downstream plastic prodncts division, which lifted operating profits to Fl 74m from Fl 63m.

The group declared an interim dividend of Fl 2.65, equal to one-third of the total dividend paid out last year.

The interim payout should not be taken as an indicator of this year's total dividend, Mr Ligthart said. "We are still working out our long-term dividend policy following the completion of the privatisation."

Earlier this year, DSM converted the 20 per cent stake in the company held by the Dutch government into cumulative preference shares.



Earnings per share were Fl 12.65, taking the conversion into account, compared with Fl 19.17 for the same period last year.

Peter Littmann: plans to step up drive into foreign markets

Stronger sales help Hugo Boss beat expectations in first half

By Sarah Althaus in Frankfurt

Favourable exchange rates and stronger sales helped Hugo Boss, the German men's clothing company, beat its expectations in the first six months, with net profits rising 5.5 per cent to DM30.9m ($20.9m).

The group, which has been updating its image and expanding sales and production abroad, said yesterday it also expected a slight rise in full-year earnings from last year's DM58m.

Turnover rose almost 8 per cent to DM452.4m in the first half, buoyed in part by the first-time inclusion of the group's Brazilian and Swiss marketing units.

However, the company, controlled by the Marzotto textile and clothing concern, said weak global economic conditions would probably lead to a slowdown in sales growth in the second half.

For the full-year, turnover was expected to climb between 3 per cent and 4 per cent, from DM900m last time.

International markets, particularly Europe, also helped lift overall turnover, with sales outside Germany increasing 12.5 per cent to DM285.3m.

The group, which sells under the names of Boss (its main brand), Hugo Boss and Baldessarini, said Asian sales grew 8.4 per cent in the first half.

Business was also developing well in North and South America, where total sales rose 17 per cent, helped by positive developments in the US, where the group has undergone an expensive restructuring. The percentage of group sales achieved abroad rose from 60.5 per cent to 63.1 per cent.

Domestic turnover was virtually unchanged at DM167m, in spite of sharp sales declines in Germany's retail sector overall, Boss said.

Hugo Boss was mainly oriented towards the German market until the current chairman, Mr Peter Littmann, took over in 1993. Mr Littmann has said the company plans to step up its foreign drive, possibly through acquisitions.

UK brewing group builds up its Czech presence

By Kevin Done, East Europe Correspondent

Bass, the UK brewing and leisure group, has acquired a stake of 20 per cent in Pivovar Radegast, the second largest Czech brewer.

The holding has been built up during the past six months at a cost of around £18m ($28m), and is an important step in the UK group's aim of acquiring leadership of the Czech Republic's beer market. It bought 160,000 shares at between Kč4,000 and Kč4,800 a share.

Bass is already the leading international brewer in the country following its acquisition of controlling stakes in Prazske Pivovary (Prague Breweries), the third-biggest brewer in the country, and two smaller groups, Ostravar and Vratislavice. Including the Radegast transaction, it has invested about £50m in the acquisitions.

The group said yesterday it had written to Radegast seeking early talks with management and leading shareholders. "We want to see if there is a way in which we can raise our holding and increase our co-operation and involvement," Mr Mervyn Childs, Bass country manager for the Czech Republic, said yesterday.

Pivovar Radegast has around 16 per cent of the Czech beer market, behind the leader Plzensky Prazdroj (which produces Pilsner Urqnell) with about 18 per cent, and Bass itself with 15 per cent.

Radegast is in effect controlled by Investiční a poštovní Banka (IPB), one of the four largest Czech banks.

Investment funds managed by IPB hold a stake of around 34 per cent, while funds managed by the investment arm of Ceska Pojistovna, a Czech insurance group, hold 30 per cent. IPB is also a leading shareholder in the insurance group.

The main Radegast brewery is near Ostrava, in north Moravia. The company also holds controlling stakes in two smaller brewers in that region: Velke Popovice (53 per cent) and Radegast Sedlec (59 per cent).

The Radegast group has a total capacity of around 2.8m hectolitres a year.

Bass has concentrated its expansion in eastern Europe on the Czech Republic, one of the world's leading brewing countries, which also has the highest beer consumption per capita – around 160 litres a year, against 140 in Germany and 100 in the UK.

"Our overall strategy is for Bass to be the leading strategic shareholder in a leading Czech brewing group with around 25 per cent market share," Mr Childs said.

Bass expects two or three leading brewing groups to emerge from the current restructuring. "We want to be one of these players," Mr Childs added.

The UK group is currently merging its three existing brewing operations to streamline its activities, with Prazske Pivovary, Ostravar and Vratislavice being brought under the control of a single management team.

Bass bought into Prazske Pivovary in 1993 and acquired the others, which are both regional breweries, last year.

Generali set to control Israeli insurer

By Avi Machlis in Jerusalem and Andrew Hill in Milan

Assicurazioni Generali, the Italian insurance group, yesterday signed a letter of intent with Bank Leumi, Israel's second largest banking group, to purchase control of Migdal, a leading Israeli insurance group.

If the deal goes ahead, Bank Leumi said Generali would increase its 27 per cent stake in Migdal to 61 per cent in stages to December 1999, for a total of $330m. Although the timetable has not been set, Generali expects to buy "a solid majority" in the company within a few months.

The three-stage deal would be the biggest overseas transaction by Generali since its recent move to expand operations in France. Bank Leumi said it would be the largest foreign investment in an Israeli company.

The offer values Migdal group – five companies accounting for 32 per cent of Israel's life market and 17 per cent of its non-life market – at Shk3bn ($949m), which is considered high by analysts.

The deal requires approval of Bank Leumi's board and its Africa-Israel Investments subsidiary. The two groups hold all the share capital of Leumi Insurance Holdings, which holds 68 per cent of Migdal.

"At the end of this operation, Generali will have transformed its minority holding in a non-listed company to a majority holding in a listed holding company which controls the most important insurance group [in Israel]," Generali said.

In the first stage, Bank Leumi will spin off LIH from Africa-Israel. Bank Leumi's directors will decide whether to approve the spin-off after reviewing offers for a 27 per cent stake it owns in Africa-Israel on August 11. The move is part of recent banking reforms, which require Israel's banks to divest significantly from their non-financial holdings. If approved, Bank Leumi will then sell about one-fifth of its 27 per cent direct stake in LIH to Generali for about Shk500m.

After a series of share exchanges, LIH and Migdal will then become one entity, of which Generali will hold up to 61 per cent.

The Tel Aviv Stock Exchange yesterday rebounded from morning losses on news of the deal. The Maof index of the top 25 stocks, which lists both Bank Leumi and Africa-Israel, finished the day up 1.26 per cent from 185.34 to 187.67.

"This is a vote of confidence of outside institutions in the Israeli economy as a whole," said Ms Daniella Finn, head of sales at Batucha Securities.

Since the election of Mr Benjamin Netanyahu as prime minister in May, the Israeli business community has worried that the new government's hardline policies could slow the Israeli-Palestinian peace process significantly and dry up foreign investment in Israel.

Foreign investment has surged with the unfolding peace process since 1993, and topped $2bn in 1995.

Notice of Exchange into
10¼% Exchange Bonds Due 2004
at the Option of the Holders of

LAND SECURITIES PLC

9⅛% Convertible Bonds Due 2004
(the "Convertible Bonds")

Notice is hereby given that £13,620,000 in principal amount of the Convertible Bonds were exchanged under the Bond Conversion Right (as defined by Condition 8 of the Offering Circular dated 31st July, 1989 relating to the issue of the Convertible Bonds) into 10¼% Exchange Bonds Due 2004 (the "Exchange Bonds"), with effect from 31st July, 1996. Following this conversion, the aggregate principal amount converted since 31st July, 1994 into Exchange Bonds amounts to £21,050,000.

PRINCIPAL PAYING AND CONVERSION AGENT
The Chase Manhattan Bank, N.A.
Woolgate House, Coleman Street, London EC2P 2HD

PAYING AND CONVERSION AGENTS
Banque Bruxelles Lambert S.A.
24 Avenue Marnix, B-1050
Brussels

Chase Manhattan Bank Luxembourg S.A.
5 Rue Plaetis
L2338 Luxembourg Grund

Chase Manhattan Bank (Switzerland)
63 Rue de Rhône, CH1204 Geneva

1st August, 1996 — This announcement appears as a matter of record only.

National Bank Of Hungary
U.S. $100,000,000
Floating Rate Notes due 2000

Pursuant to Note conditions, notice is hereby given that for the interest period 31st July, 1996 to 31st January, 1997 (184 days), the following interest rates will apply:

15 YEAR LONG-TERM NOTES
(Coupon No. 24)
Rate per annum: 6½%
Amount per coupon: U.S. $332.22
Payable on: 31st January, 1997
3 YEAR SHORT-TERM NOTES
(Variable Coupon Numbers)
Rate not applied at present
(No notes outstanding)

LTCB
The Long-Term Credit Bank of Japan, Limited
London Branch
Agent Bank

COMPANIES AND FINANCE: UK

Stagecoach makes £825m bid

By Haig Simonian

Stagecoach, the fast-growing bus and rail company, yesterday risked a referral to the Monopolies and Mergers Commission with a £825m bid for Porterbrook Leasing, a railway rolling stock leasing company.

Hours after the company announced the agreed takeover, Mr John Swift, the rail regulator, launched a wide-ranging review of the competition issues involved and warned the bid might be referred to the MMC.

Stagecoach, which has 17 per cent of the UK bus market, already operates one of the 25 railway service franchises and is bidding for all 12 outstanding rail franchises. Porterbrook is one of the three railway rolling stock leasing companies (roscos) created under the rail privatisation programme.

Mr John Swift, the rail regulator, issued a consultation document seeking the views of interested parties. The Office of Passenger Rail Franchising said it wanted to ensure the takeover did not damage competition among train operators before allowing Stagecoach to tender for further franchises.

Stagecoach already controls South West Trains, which operates out of London's Waterloo station, and is on the short list to win the franchises for the South Eastern Train company and Cardiff Railway. Some commentators feared that combining Porterbrook with a group already active in bus and train services could create unfair competition.

Concern that the deal might go against the spirit of the government's policy to increase competition in the transport sector through bus and rail privatisation has been heightened by the speed of consolidation in buses and the ambitions of some leading bus operators to move into rail services.

"We're moving from one sort of monopoly into another", said one analyst. "The government couldn't have wanted it like this".

The concern about consolidation in bus and rail services was reflected in this week's announcement that the takeover of the Midland Main Line rail franchise by National Express, the coach operator, is to be investigated by the MMC.

Trevor Humphries

Brian Souter, chief executive: faces monopoly concerns

Extension on Eurotunnel's debt deadline

By Andrew Jack in Paris and Ross Tieman in London

Eurotunnel, the operator of the cross-Channel rail link, yesterday announced that the deadline for a deal with creditor banks to reschedule its £8.4bn ($13.1bn) of debt had been extended until September 30.

Although talks were due to have been completed last night, Eurotunnel said the extension granted by a French tribunal was evidence that progress was being achieved. "We are on the way to a solution."

Mr Robert Badinter and Lord Wakeham, the two mediators appointed by a French court to help ease discussions between executives, bankers and shareholders over rescheduling the debt have had their mandate extended for a second time until September 30.

Mr Patrick Ponsolle and Sir Alastair Morton, co-chairmen of Eurotunnel, said yesterday: "The progress of our negotiations with the representatives of the banking syndicate has not been as rapid as we had hoped. Our conviction is that an agreement is still possible."

The announcement comes in spite of a statement by Mr Ponsolle at the annual meeting in June that either negotiations would be completed by the end of July or there would be no point in continuing, hinting that the group would pass into the hands of court-appointed administrators.

As a result, President Jean-Pierre Mattei, head of the court, agreed to extend the mandataires' role by one month, until July 31. Their appointment was made earlier this year.

Sources close to Eurotunnel said yesterday that significant progress had been made between the group and the syndicate of six leading creditor banks and both sides wanted to continue talking.

"If our positions do not get closer this time, the mandataires and the president of the court will not accept that the negotiations are extended any further," a source said.

One London analyst said: "Given the likely magnitude and complexity of the restructuring it is hardly surprising that it is taking longer than expected."

If Eurotunnel reaches an outline accord by the end of September it must still be approved by the syndicate of 225 banks, failing which the group may pass into the hands of administrators.

Shareholders at an extraordinary meeting must also approve the restructuring, which will involve the banks swapping a significant proportion of debt for equity, diluting existing investors' stake.

Negotiations are also continuing with the French and British governments over proposals including the idea of extending the concession of the tunnel, in an effort to improve the long-term rewards to shareholders.

Salvesen rejects £1bn Hays offer

By Ross Tieman

Directors of Christian Salvesen yesterday unanimously rejected a £1bn takeover approach from rival distribution group Hays, but left the door open to a higher offer.

While insisting that the 370p-a-share cash-and-paper terms proposed were inadequate, the board said it would consider a "significantly improved financial proposal" if Hays were to make it.

Hays said the company was "considering its position". It appears that Hays may be unable to bid more than 400p a share for its target without suffering dilution of its earnings per share.

Salvesen shares closed down 4p at 366p.

Hays has been stalking Salvesen for four years and first sought an agreed deal two years ago. A Hays director, Mr Graham Williams, is understood to have told analysts that Hays had questioned many former Salvesen employees and reckoned to know the group as well as its own board.

But Mr Ronnie Frost, Hays executive chairman, apparently is determined not to overpay. In a letter to Sir Alick Rankin, the Salvesen chairman, he is understood to have offered 57 Hays shares and £73.10 in cash for every 86 Salvesen shares.

Hays directors have apparently insisted that if they cannot get control at a price that benefits their shareholders, they will walk away.

The Salvesen board rejected Hays' approach after convening in the London offices of its adviser, SBC Warburg.

Anglo American Platinum Corporation Limited

Rustenburg Platinum Holdings Limited
Potgietersrust Platinums Limited
Lebowa Platinum Mines Limited
(All companies incorporated in the Republic of South Africa)

Highlights from the Preliminary Reports for the year ended 30 June 1996

Anglo American Platinum Reg. No. 59/02518/06

	1996 Rm	1995 Rm
Net income before taxation	397.7	332.6
Net income after taxation	319.5	265.3
Capitalisation share awards and dividends	207.8	132.4
Earnings per share (cents)	190.3	160.3
Dividends per share (cents)	120.0	80.0

Rustenburg Platinum Reg. No. 05/22152/06

	1996 Rm	1995 Rm
Gross sales revenue	3,886.2	3,462.4
Profit before taxation	531.3	542.4
Net profit attributable to ordinary shareholders	400.1	378.4
Capitalisation share awards and dividends	289.2	269.4
Capital expenditure	352.7	432.3
Earnings per share (cents)	314.4	302.0
Dividends per share (cents)	225.0	215.0

Potgietersrust Platinums Reg. No. 01/08253/06

	1996 Rm	1995 Rm
Gross sales revenue	536.7	470.0
Profit before taxation	153.3	144.0
Profit after taxation	144.0	131.1
Capitalisation share awards and dividends	104.0	93.3
Capital expenditure	46.2	9.4
Earnings per share (cents)	116.2	108.6
Dividends per share (cents)	83.0	77.0

Lebowa Platinum Reg. No. 63/06144/06

	1996 Rm	1995 Rm
Gross sales revenue	202.8	194.0
Profit before taxation	6.6	25.3
Profit after taxation	6.6	25.3
Capital expenditure	6.0	1.0
Earnings per share (cents)	5.5	21.1

Capitalisation shares have been awarded to ordinary shareholders of Anglo American Platinum, Rustenburg Platinum and Potgietersrust Platinums registered at the close of business on 23 August 1996. Shareholders may elect instead to receive final cash dividends of 65 cents, 150 cents and 50 cents per ordinary share respectively. Share certificates in respect of the new ordinary shares and cheques in respect of the final cash dividends and fractional entitlements will be posted to shareholders on or about 2 October 1996.

1 August 1996.

The full text of the Preliminary Reports will be posted to shareholders and copies may be obtained from the London Secretaries, JCI (London) Limited, 6 St James's Place, London SW1A 1NP.

International Bank for Reconstruction and Development
ECU 450,000,000
Floating Rate Notes due 2002

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 31st October, 1996 has been fixed at 3.8125% per annum. The interest accruing for such three month period will be ECU 48.72 per ECU 5,000 Bearer Note, and ECU 974.31 per ECU 100,000 Bearer Note, on 31st October, 1996 against presentation of Coupon No. 18.

Union Bank of Switzerland
London Branch Agent Bank
29th July, 1996

Notice of Partial Redemption

Credito Italiano

(Incorporated as a Società per Azioni in the Republic of Italy)
(Grand Cayman Branch)
(the "Bank")

U.S. $100,000,000
Subordinated Floating Rate Depositary Receipts due 2000

NOTICE IS HEREBY GIVEN that in accordance with Condition 4(d) of the Depositary Receipts (the "Deposits"), Credito Italiano will redeem U.S. $20,000,000 of the Deposits on 8th August, 1996. *The following Receipts relating to the Deposits will be redeemed at 100 per cent. of their principal amount* on 8th August, 1996 (the "Redemption Date") when interest on such Deposits will cease to accrue.

The U.S. $100,000.00 Depositary Receipts

2	50	99	141	186	217	274	325	370	409	456	488	522	570	611	672	718	749
4	52	102	143	188	218	276	331	373	412	459	496	523	578	627	675	719	756
5	61	106	146	192	226	282	337	376	413	465	497	534	581	631	680	720	758
14	64	111	153	197	233	286	339	382	417	468	499	536	584	633	686	723	760
15	79	124	157	205	236	304	349	384	418	471	504	544	586	640	690	725	786
34	86	128	162	209	240	312	351	387	423	473	508	550	588	650	691	731	790
37	82	136	178	212	244	316	354	390	436	476	510	551	589	664	702	733	793
40	90	138	184	213	260	321	355	399	442	482	513	554	592	669	708	744	
44	95	148	185	218	271	324	365	402	452	484	518	562	601	671	713	746	

The U.S. $10,000.00 Depositary Receipts

4	113	211	337	481	581	690	777	885	1017	1154	1257	1386	1525	1607	1718	1816	1954
6	114	214	339	482	583	703	778	887	1022	1157	1266	1386	1528	1608	1722	1817	1963
8	120	215	348	498	588	705	779	888	1027	1163	1270	1390	1531	1609	1730	1820	1966
14	128	221	387	499	590	726	784	898	1044	1184	1271	1392	1533	1613	1739	1822	1967
25	133	226	389	500	594	727	786	902	1068	1165	1278	1397	1538	1618	1741	1834	1969
32	143	227	398	507	596	728	797	905	1070	1170	1281	1407	1542	1617	1750	1838	1983
35	148	232	400	508	597	730	798	918	1072	1174	1290	1422	1547	1619	1751	1843	1987
38	151	235	401	510	601	731	801	925	1081	1175	1292	1427	1548	1625	1756	1844	1988
48	153	245	402	514	603	736	806	926	1082	1186	1294	1435	1551	1627	1758	1853	2000
51	156	250	403	517	604	737	809	930	1086	1188	1302	1438	1552	1634	1762	1860	
54	158	260	415	529	606	739	810	934	1087	1190	1314	1440	1555	1635	1768	1865	
55	178	268	416	532	609	743	811	938	1093	1205	1315	1444	1556	1639	1770	1866	
60	176	271	424	536	615	745	820	957	1099	1212	1326	1449	1569	1640	1775	1867	
65	184	274	425	539	618	747	823	958	1115	1213	1343	1453	1570	1646	1781	1872	
67	186	281	430	541	625	752	848	971	1120	1216	1346	1460	1572	1653	1783	1877	
76	188	289	435	542	627	753	860	978	1121	1223	1348	1474	1573	1660	1784	1881	
88	189	291	438	546	628	754	862	979	1122	1237	1361	1481	1574	1661	1785	1905	
95	180	295	446	548	629	757	864	985	1130	1249	1365	1488	1578	1665	1793	1914	
99	184	307	449	567	656	758	869	993	1135	1254	1367	1490	1580	1678	1794	1916	
102	197	312	460	572	657	761	874	996	1144	1256	1368	1508	1587	1685	1799	1925	
104	202	321	467	573	658	767	877	999	1148	1260	1369	1517	1588	1695	1803	1931	
106	207	326	472	576	675	770	878	1002	1150	1264	1371	1521	1591	1702	1810	1934	
112	210	327	474	578	681	773	881	1012	1152	1265	1381	1523	1601	1706	1814	1952	

Payment of the principal amount of the Deposits will be made against surrender of Receipts and payment of interest thereon will be made against surrender of Coupons at any specified office outside of the United States of America of any Paying Agent by transfer to a U.S. dollar account maintained by the payee with, or by a U.S. dollar cheque drawn on, a bank in New York City. Upon the Redemption Date, any unmatured Coupons appertaining to the Receipts relating to such deposits (whether or not attached) shall become void and no payment shall be made in respect thereof.

Receipts and Coupons will become void unless presented for payment at any time on or prior to the fifth anniversary of the Relevant Date (as defined in Condition 6 of the Deposits).

The principal amount of Receipts outstanding following the redemption of the above Receipts will be U.S. $80,000,000.

Payment of interest will be made in the normal manner on 8th August, 1996.

The Trust Deed dated 8th August, 1990 in respect of the Deposits provides that Noteholders shall be given not less than 20 days notice of partial redemption. The Bank regrets that such period of notice has not been given.

Principal Paying Agent and Agent Bank
Bankers Trust Company
1 Appold Street
Broadgate
London EC2A 2HE

Paying Agents
Bankers Trust Luxembourg S.A.
14 Boulevard F.D. Roosevelt
L-2450 Luxembourg

Swiss Bank Corporation
Aeschenvorstadt 1
CH-4002 Basle

Bankers Trust Company, London — **Agent Bank**
1st August, 1996

CENTRALE NUCLEAIRE EUROPEENNE A NEUTRONS RAPIDES S.A. - NERSA
FRF 400.000.000
GUARANTEED FLOATING RATE NOTES DUE 1997
ISIN CODE : FR0008818728

For the period July 31, 1996 to October 31, 1996 the new rate has been fixed at 3,9125 % P.A.
Next payment date : October 31, 1996
Coupon nr : 30
Amount : FRF 199,97 for the denomination of FRF 20 000
FRF 999,86 for the denomination of FRF 100 000

THE PRINCIPAL PAYING AGENT
SOCIETE GENERALE BANK & TRUST
LUXEMBOURG

LEGAL NOTICES

IN THE MATTER OF HIBCO LIMITED (FORMERLY HUNGARIAN INTERNATIONAL BANK LIMITED) IN MEMBERS VOLUNTARY LIQUIDATION)
Registered office: Princes House, 95 Gresham Street, London England
IN THE MATTER OF THE INSOLVENCY ACT AND RULES 1986

In accordance with Rule 4.106, I, Philip James Long of Pannell Kerr Forster, Sovereign House, Queen Street, Manchester, England, give notice that on 15 July 1996 I was appointed Liquidator of the above company by resolutions of the shareholder for the purpose of distributing the assets of the company.

NOTICE IS HEREBY GIVEN that the creditors of Hibco Limited are required, *on or before 19 August 1996* to send in details of their names and addresses and full particulars of their debts and claims and the names and addresses of their solicitors (if any) to me c/o Pannell Kerr Forster, *Sovereign House, Queen Street, Manchester,* England and, if so required by notice in writing by me they will be required to prove their debts and claims in such manner as shall be specified.

Creditors who fail to prove their claims within the time specified will be excluded from the benefit of the distribution.

Note: The distribution referred to will be a first and final distribution.

Dated: 16 July 1996

SERVIS HOME SERVICES LIMITED
(In Compulsory Liquidation)
FINAL NOTICE

NOTICE IS HEREBY GIVEN that the Creditors of the above named Company, which is in Compulsory Liquidation, are required, on or before 30th August 1996 to send in their full christian and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned J.A. Talbot of Arthur Andersen, 1 Victoria Square, Birmingham B1 1BD, Liquidator of the said Company, and if so required by notice in writing from the Liquidator, are personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

J.A. Talbot, Liquidator.

IN THE MATTER OF
BESRES DEVELOPMENT TWO PLC
AND IN THE MATTER OF THE *INSOLVENCY ACT AND RULES 1986*

In accordance with Rule 4.106, I, John William Powell of Levy Gee, 4th Floor, Southfield House, 11 Liverpool Gardens, Worthing, West Sussex BN11 1RY give notice that on 9th July 1996 I was appointed Liquidator by resolution of the members.

Notice is hereby given that the Liquidator of the above named company intends to make a first and final distribution to the creditors. Creditors are required, on or before 28 *August 1996, being the last day for proving, to send in their* full Christian and surnames, and addresses of their Solicitors (if any), to the undersigned John William Powell of Levy Gee, 4th Floor, Southfield House, 11 Liverpool Gardens, Worthing, West Sussex BN11 1RY the Liquidator of the said company, *and, if so required by notice in writing from the said* Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution.

A first and final dividend is intended to be declared and paid on 8 September 1996.

Dated 17 July 1996

J W POWELL Liquidator

COMPANIES AND FINANCE: UK

Further demerger blow for Hanson

By Jenny Luesby and Ross Tieman

Hanson's chemicals subsidiary SCM this week implemented a worldwide retrenchment in response to an unexpectedly depressed market, delivering a fresh blow to the four-way demerger of the Hanson group.

The British conglomerate aims to spin-off its chemicals business first, with SCM and polyethylene producer Quantum due for flotation on the New York Stock Exchange on October 1 as Millennium Chemicals.

However, Quantum, which accounts for 70 per cent of Hanson's chemical sales, unveiled a 60 per cent fall in profits at the half year.

Now, just two weeks before the group's third quarter results, SCM, which accounts for another 28 per cent of the group's chemicals operation, is reporting difficulties too.

SCM makes titanium dioxide, a key ingredient in paints and coloured plastics. It had been forecasting improved prices and demand growth of 3.5 per cent a year until 2000.

However, the spring season, which traditionally delivers the strongest sales of the year, was poor; demand has stagnated, and prices have fallen by 8 per cent in the US and 10 per cent in Europe. As a result, SCM is now closing one of its two UK plants and delaying a 33 per cent expansion at the other until June 1998.

It is also cutting capacity at its plant in Maryland, by one-third, and shelving plans to build the world's largest titanium dioxide plant in Australia. This represents the latest in a series of knocks to investor confidence in the Hanson group.

Since January, the group's shares have fallen by 24 per cent to 160¼p – 5p lower than analysts' calculations of the break-up value of the £10bn turnover group.

The biggest blow was the decision this month to write down group assets by £3.2bn.

Industry analysts suggest that Hanson had previously overvalued the assets of its American coal-producing business, Peabody, and its US aggregates business, Cornerstone.

The write-downs will bring Hanson into line with US accounting rules on the treatment of long-lived assets.

Another damper has been the rerating of Eastern, Hanson's UK power distributor, as stock market ratings of power companies have fallen on fears of tightening regulation.

Meanwhile, analysts believe the group faces a £200m cash outflow in the current year as a result of the downturn in its chemicals business.

Mr Donald Borst, SCM's chairman, this week said the group planned to increase its titanium dioxide prices by about 8 per cent on October 1, restoring them to their January peak. It is not clear how buyers will react to this rise.

One of the factors behind the falling prices has been over-supply. This has been exacerbated by the weakness of the paper industry, which uses titanium dioxide as a white coating, and by a battle for market share triggered by consolidation of the worldwide paints industry.

In the US, one of SCM's main competitors, ICI, has taken over three large regional paint companies and switched their titanium dioxide sourcing to its own Tioxide subsidiary, depressing the market for other producers.

SCM has also suffered from rising prices for titanium ores.

Pilkington profits warning

By Ross Tieman

Tough trading conditions and weaker prices in France and Germany hit first-half profits at glassmaker Pilkington, Sir Nigel Rudd, chairman, warned yesterday.

The warning, the second this year, caused shares in the company to ease 7p to 183p. Analysts now believe pre-tax profits may be no better than the £212m ($331m) last year.

Mr Steve Charnock, of Charterhouse Tilney, one of Pilkington's three brokers, cut his forecast from £245m to £215m. "That is the best case," he said. "It still requires a decent second half, in which volumes improve and at least part of their price increase is accepted by customers."

The downgrade came after Sir Nigel told the annual meeting that the result for the first half "will be somewhat lower" than last year when it made £104m. Analysts say it is now unlikely to better £80m for the six months.

In March, the company launched a £155m restructuring to cut costs after a severe winter hit sales volumes and prices at its German and French operations.

Henderson trust bids for Kepit

By Roger Taylor

Henderson Touche Remnant, one of the UK's largest investment management groups, looks set to inflict a humiliating defeat on rival Kleinwort Benson, following the announcement of one of the largest ever hostile bids seen for an investment trust.

TR European Growth, a relatively small investment trust managed by Hendersons, is bidding more than £500m ($780m) for the Kleinwort European Privatisation Trust (Kepit), Kleinwort's largest quoted investment fund. TR expects to make at least £2.75m from the deal.

The Kleinwort fund has been an embarrassing failure since its launch in 1994. At the time, share prices were reaching record levels and private investor interest in the stock market had been fuelled by the success of UK privatisations.

Both Kleinwort Benson and Mercury Asset Management, another leading investment manager, launched investment trusts to profit from the growing number of privatisations taking place throughout Europe. They proved the most popular new investment trusts ever, both raising about £500m, largely from private investors.

However, the investments have proved disastrous, with the Kleinwort fund faring considerably worse than Mercury's. This was partly because world markets fell just as the trusts were launched, and partly because European privatisations have not been nearly as profitable for investors as their British predecessors.

After two years of dismal returns Kepit's shares are still well below their issue price.

Furthermore, they are worth less than the investors would receive if the managers wound up the trust. Both Kepit and the Mercury European Privatisation Trust (Mepit) have announced plans to buy back some shares. TR European Growth is now offering to give Kepit shareholders their money back in cash or shares.

The unusually aggressive move by Henderson reflects the growing willingness of investment managers to snatch control of other company's funds which have failed to live up to shareholder expectations.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
BAT Inds	6 mths to June 30	11,937	(11,390)	1,331♥	(1,187)	26	(23.2)	10	Jan 3	9.25	-	27.6875✱
Bakyrchik Gold	Yr to Mar 31 ☆	1.7	(-)	52.9L♠	(3.53L)	1.93L†	(0.17L)	-	-	-	-	-
Bath Press	Yr to Mar 31	35.8	(-)	2.87	(-)	1.71	(-)	0.29	Oct 25	-	0.43	-
Cliveden	6 mths to Apr 30	3.68	(2.78)	0.267	(0.149)	1.13	(0.65)	0.1	Oct 15	-	-	-
Cowie	6 mths to June 30	528.7	(528.7)	32.2	(27.1♠)	14.8	(12.3)	3.4	Sept 5	3.05	-	10.4
Dyson (J&J)	Yr to Mar 31	55.6	(50.1)	2.88	(2.39♥)	12.68	(12.1)	3	Oct 1	2.5	4.5	4
Glaxo Wellcome	6 mths to June 30	4,189	(3,620)	1,551	(461♠)	29.7†	(9.1)	15	Oct 1	15⁑	-	30⁑
GRE	6 mths to June 30 ★	1,951□	(1,928□)	231♠	(327)	17.3	(31.4)	3.4	Jan 2	3.1	-	9
Precoat Intl	Yr to Apr 30	44.8	(39.5)	3.05	(2.46)	14.71†	(12.14)	3.3	Oct 1	0.25	5.5	0.25
Primary Health ϕ	4 mths to June 30	0.082	(-)	0.17	(-)	-	(-)	-	-	-	-	-
Rosebys	6 mths to June 29	46.1	(25.8)	1.51	(0.641)	4†	(1.9)	2.1	Oct 16	1.6	-	5.6
Senetra	6 mths to Mar 31	10	(9.93)	0.304♠	(0.431)	0.75	(1.06")	0.97	Oct 2	0.97	-	2.2
Sims Food	Yr to Mar 31	289.3	(285.5)	49.3♠	(2.82)	†41.8L	(5.2)	nil	-	2	1	4
Waste Recycling	6 mths to June 30	6.31	(3.29)	2.02	(1.14)	3.8†	(2.9)	0.5	Nov 11	-	-	1.5

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Baring Tribune	6 mths to June 30 ★	457.7	(389.3)	2.57	(2.11)	5.02	(4.11)	2	Sept 16	1.7	-	7.2
City Merchants	6 mths to June 30	161.3	(148#)	1.68	(1.25)	6.21	(5.35)	2.375§§	Oct 7	2.25	-	9.5
European Assets ‡	6 mths to June 30	12.11	(9.06)	3.4	(4.33♥)	0.14	(0.17)	0.08	Sept 27	0.08	-	0.16

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ✱Included foreign income dividend element. ⁑Annualised. ☆US currency. ★Comparatives restated. □Premium income. ϕAims stock. "Adjusted for scrip issue. #At Dec 31. §§Second interim; makes 4.75p to date. ‡Dutch currency.

Peregrine faces SFA on fund bid

By Nicholas Denton

The Securities and Futures Authority yesterday asked Peregrine Securities, the Hong Kong based investment bank, to explain its conduct as adviser in the battle for the £200m ($312m) Malaysia Equity Fund.

The SFA has called Mr Nicholas Paris, corporate finance director of Peregrine, to a meeting on Monday where he is expected to face questions about a stake in the Malaysia Equity Fund held by a Peregrine affiliate.

Peregrine had disclosed no interest in the takeover bid on which it was advising until last week, when it disclosed that its marketmaking arm independently held a stake of 7.59 per cent in the fund.

Although the fund is an offshore company and therefore not subject to the UK takeover code, Peregrine is a member of the SFA and must comply with the UK regulator's rules. But Mr Paris said: "There is nothing out of the ordinary about this position. We have been mindful of all the regulations."

Peregrine maintains that criticism of its tactics is a "smokescreen" by fund managers DICAM, the subsidiary of Daiwa Securities, and Baring Brothers, the management's financial advisers.

The dispute began when Peregrine led an effort by a majority of shareholders in the Malaysia Equity Fund to push through changes designed to reduce the discount to net asset value at which the Fund traded.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements - in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 01.08.96: Pool purchase price £/MWh	Final Prices for Trading on 04.07.96: Pool purchase price £/MWh	Pool selling price £/MWh
0030	9.02	12.14	13.04
0100	8.96	11.84	12.74
0130	8.96	11.84	12.74
0200	8.96	8.94	9.84
0230	8.96	8.94	8.94
0300	8.96	8.94	8.94
0330	8.96	8.94	8.94
0400	8.96	8.94	8.94
0430	8.96	8.94	8.94
0500	8.96	8.92	8.92
0530	8.94	8.92	8.92
0600	8.94	8.94	8.94
0630	8.97	8.94	8.94
0700	9.02	12.25	13.15
0730	8.98	15.95	18.97
0800	13.21	17.24	18.98
0830	18.58	21.56	23.14
0900	18.72	25.35	28.00
0930	18.93	30.23	34.09
1000	19.08	33.05	37.48
1030	19.16	33.89	38.73
1100	19.28	35.03	40.20
1130	19.53	37.80	43.60
1200	41.63	51.20	57.75
1230	41.51	57.55	63.63
1300	41.25	54.53	59.90
1330	19.17	31.20	35.50
1400	18.99	28.66	32.25
1430	18.89	26.71	29.76
1500	18.85	25.32	28.00
1530	18.81	24.57	27.09
1600	18.85	26.22	29.26
1630	18.97	29.86	33.98
1700	19.00	35.20	39.50
1730	18.90	32.39	35.98
1800	18.94	27.28	29.48
1830	17.90	20.25	21.51
1900	17.87	17.77	18.75
1930	16.44	18.02	17.84
2000	13.12	16.67	17.77
2030	13.12	16.86	17.78
2100	8.99	16.42	17.22
2130	25.87	16.42	17.32
2200	27.00	19.97	20.87
2230	27.00	19.97	20.87
2300	27.00	19.97	20.87
2330	13.12	16.42	17.31
2400	9.03	16.10	16.99

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6790 between 8.30am and 5.15pm Monday to Friday.
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INTERNATIONAL CAPITAL MARKETS

Treasury yield slips below 7%

By Lisa Bransten in New York and Samer Iskandar and Mark Ashurst in London

The yield on the benchmark 30-year Treasury moved below 7 per cent in morning trading yesterday amid new signs that the economy may be slowing even without an interest rate increase from the Federal Reserve.

Near midday the benchmark 30-year Treasury was ½ stronger at 86⅜ to yield 6.985 per cent. At the short end of the maturity spectrum, the two-year note added 1/32 at 100⅛, yielding 6.216 per cent, while this September 30-year bond climbed ½ to 108⅛.

The slope of the yield curve between two-year and 30-year maturities steepened one basis point to 77 basis points.

At mid-morning, the Chicago Association of Purchasing Management said its index of regional business activity fell to 51.2 in July, down from 53.3. Although the index reflects only activity in the midwest, it is considered a good indicator of the national purchasing managers' report due out today.

Trading has been tentative and range-bound for several weeks as investors remain uncertain about whether the Fed will raise interest rates at the August 20 meeting of its Open Market Committee.

GOVERNMENT BONDS

Data released yesterday and Tuesday helped ease fears of a rate increase, but attention remained focused on Friday's figures on July wages and employment.

■ European bond markets traded quietly until midday, then rose with US Treasuries to end between ¼ and ¼ higher. The peripheral markets, notably Italy and Spain, outperformed bunds. Liffe's September BTP future closed at 115.84, up 0.36, while in the cash market the 10-year yield spread over bunds tightened by 4 basis points to 313.

However, analysts remain bearish in the short term, citing political uncertainty and currency risk.

The lira was weak at more than L1,036 against the D-Mark, and economists warned of the possibility of a fall to as low as L1,050 in coming weeks, which could weigh on the bond markets. Analysts at Deutsche Morgan Grenfell expect the strength of the D-Mark to continue attracting investors in the high-yielding markets, who have been hit in the past few days.

But the immediate future of most European markets is likely to be dictated by Treasuries, at least until the Bundesbank's board returns from its summer break on August 22.

■ The Australian bond market was given a new lease of life by a 50-basis point cut in official interest rates to 7 per cent, the first policy change since December 1994. But higher prices were yesterday offset by fears that the Australian currency is now at the mercy of Japanese investors.

The 10-year benchmark bond ended the Sydney trading session at 89.40, the yield 25 basis points lower at 8.3 per cent, its lowest level since last February. Australian bonds outperformed US Treasuries and the yield spread tightened sharply to around 143 basis points. Furthermore, economists said the Reserve Bank could ease rates again this year if the economy falls short of the 2-3 per cent growth target.

However, the Australian dollar lost almost Y2.0 to close at Y81.50, prompting fears of further weakness should Japanese investors realise long-term book profits at current exchange rates. Japanese banks have been large holders of Australian bonds.

Salomon offers blue-chip sanctuary

By Peter John

Investors concerned about the direction of the US stock market have received a $600m potential palliative from Salomon Brothers.

The US investment bank launched three baskets of 2m one-year warrants, which offer investors tha possibility of making an early run for cover in the event of any big correction on Wall Street.

The warrants, each with a strike price of $100, take up the 1970s concept of blue-chip stocks known as the "nifty fifty".

Salomon bas called *its* slimmed-down basket the "favored forty" – although it actually contains only *39* stocks.

Mr Nicholas Waltner, head *of global derivatives at* Salomon, said: "The basic idea is that at the end of any bull market you see a sell-off in the small-cap names and a flight to quality in the big caps. In the seventies, the nifty fifty traded at a multiple of 42 times, versus 18 times for the market."

Salomon's three baskets reflect three levels of concern. For the least worried there are call warrants priced at $9.42 each, which offer a profit if the aggregate valne of the stocks is above $109.42.

Next, there is a Market Outperformance warrant, which is priced at $3.95 and will realise valne if the "favored forty" ontperform the S&P 500 by more than 3.95 per cent.

And for those who believe there is very little hope, there is a put warrant at $4.26, offering a hedge when the value of the Forty falls below $95.74.

Salomon's move follows that of a rival: Morgan Stanley's Multinational index has become known as the "new nifty fifty".

Investors' appetite for risk fuels surge in samurai issues

By Conner Middelmann

Issuance of Japanese domestic bonds – known as samurais – has soared in recent months and is set to continue climbing, fuelled by Japanese investors' hunger for yield.

This week saw the largest samurai issue of the year to date – Y130bn of six-, 12- and 20-year bonds for Greece. The deal was co-ordinated by Nomura Securities, with two tranches jointly led by Daiwa and Nikko.

Othar recent, high-profila transactions have included a Y100bn issue for Disney and Y40bn for the *Philippines*.

Issuance during the first seven months of 1996 totalled *about Y2,300bn, compared with* last year's Y1,700bn. Most of this year's growth has been *accounted for by* dual-currency bonds, where coupons are paid in yen but which are usually redeemed in Australian or US dollars; some Y1.3bn of dual-currency bonds have been launched so far. Most of the remainder has been accounted for by emerging-market issues.

With Japanese interest rates still near record lows, investors have been scouring the markets for *anything that* offers higher yield. Retail investors, especially, are keen to outperform the meagre returns available to them on bank deposits.

Most samurai bonds represent higher risks, which is why some local media have been warning that it *is becoming* a new junk bond market. In the case of dual-currency bonds, investors *take the risk that* the foreign currency in which the bonds will be redeemed weakens during *the life of the bond;* with emerging market issuers – many of which have sub-investment grade ratings – they take a credit risk.

Deregulation earlier this year, allowing speculative-grade borrowers to tap the market, has made it even more popular with such issuers. Until this year, only entities rated BBB/Baa2 or above could access the market.

As a result, this year bas seen a steady flow of sub-inveatment-grade deals: Romania made its international bond market debut in May, with Y52bn of three-year bonds paying a 5.2 per cent coupon, Brazil issued Y30bn of 5.5 per cent five-year bonds, and Mexico sold Y40bn of 6 per cent six-year bonds.

With *bank deposit rates at* about 0.3 per cent for two-years and 1.4 per cent for five years, *it is not surprising* retail investors have been snapping up this paper.

However, the recent default of Y5bn of samural bonds for Bulgaria's Mineralbank, which had been privately placed with Japanese institutlons, reminded investors of the risks they are taking in their quest for yield.

"Since the default, credit awareness bas increased. Investors are becoming more picky," a Japanese banker said.

However, issuance volumes are likely to hold up; brokers expect about Y200bo a month. Disney is expected to tap the market again in September, with an estimated Y50bn to Y100bn issue of two to three-year dual-currency bonds aimed at retail investors. Dealers said an Argentine transaction was shelved after last week's resignation of the country'a finance minister, Mr Domingo Cavallo.

Nationwide launches £150m FRN

By Conner Middelmann

The eurobond sector settled into quiet summer dealings, with only a sprinkling of new issues.

INTERNATIONAL BONDS

Nationwide Building Society launched a £150m issue of five-year floating-rate notes, callable after four years. The notes pay a coupon of three-month Libor; at the offer price of 99.84, that is equivalent to 3.5 basis points over Libor, a syndicate official with lead manager HSBC Markets said.

He said the deal was placed mainly with other UK building societies, which have traditionally been keen takers of such paper. Nationwide will be the largest UK building society once the Halifax has completed its conversion to bank status. Unlike some other building societies – which tap the market frequently – Nationwide has no liquid outstanding FRNs, which gave the issue a certain rarity appeal, the official said. The notes were bid at full fees in late trade.

In tha Dutch guilder sector, Baden-Württemberg L-Finance issued Fl 300m of five-year bonds yielding 10 basis points over Dutch government bonds at the re-offer price. The deal was lead-managed by ING Barings.

Meanwhile, South Africa is rumoured to be planning a foray into the D-Mark sector, with dealers looking for up to DM400m of bonds to refinance DM400m of 10.5 per cent paper maturing in October. Talk was of five-year or seven-year bonds, with the shorter maturity seen as more likely. South Africa's 10-year sterling bond, issued in January, is trading at a spread of about 210 basis points over gilts while a dollar bond due 1999 yields 160 basis points over Treasuries; dealers said a D-Mark issue could come somewhere in the middle of that range.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
■ US DOLLARS							
Chelt 1996-3(a)+	550						Merrill Lynch Intl
■ YEN							
Nissho Iwai Corp(b)§	20bn	(b)-½	100.00	Sep 2003	2.50		Nomura International
● STERLING							
Nationwide BS(c)‡	150	(c)	99.94	Aug 2001	0.15		HSBC Markets
■ GUILDERS							
Baden Wuerttemberg L-Fin(d)	300	5.375	99.094R	Dec 2001	0.25R	+10(5¾%-01)	ING Barings

Final terms, non-callable unless stated. Yield spread (over govt bond) at launch supplied by lead manager. +Unlisted. §Convertible. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Contimortgage Home Equity Loan Trust. 6-tranche deal. Monthly coupons. b) Fixing: next week. Callable from 1/10/97 subject to 130% rule. Callable & puttable on 30/9/99 at par. Refixing clause effective 7/9/98, max 80%. c) Callable on Aug 2000 at 99.93. c1) 3-mth Libor flat. d) Short 1st coupon.

ARS fixes $500m loan facility

By Peter John

Almazy Rossi Sakha, which produces almost all of Russia's diamonds, has arranged a $500m rolling loan facility with NatWest Markets, it was announced yesterday.

The deal will constitute one of the largest foreign loans made to an independent Russian company.

ARS accounts for 25 per cent of world diamond production. It will use the cash to upgrade ageing equipment and to develop three or four untapped areas in Yakutia, Siberia. In April, Russia's state geology committee announced that diamond deposits of "global importance" had been found in the region.

Pinnacle Associates, the boutique finance house which set up the relationship between the company and NatWest Markets, said the cash would probably come through in three tranches, the first of which would be made later this year.

Expectations are of:

● An initial tranche of about $100m, to be delivered in the form of a straight loan backed by Russian assets.

● Second, an issue of commercial paper with a maturity of as much as one year.

● Third, an issue of medium-term paper with a maturity of between one and three years.

Mr Glenn Whiddon, managing director of Pinnacle, said: "There is also an opportunity for equity to be raised but that is a long way down the track."

However, NatWest Markets stressed that while the mandate for the loan had been agreed, the details still had not be thrashed out. "It is very, very early days and wa are only in the process of looking at the structure," said Mr Mike Atherton, of NatWest.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	110.6980	+0.760	8.35	8.54	8.85
Austria		6.250	05/06	98.0200	+0.110	6.42	6.43	6.63
Belgium		7.000	05/06	101.8400	+0.140	6.73	6.73	6.89
Canada *		7.000	12/06	95.4200	+0.370	7.65	7.64	7.95
Denmark		8.000	03/06	104.4000	-0.020	7.34	7.31	7.58
France	BTAN	5.750	03/01	101.2080	+0.136	5.41	5.38	5.77
	OAT	7.250	04/06	106.3500	+0.070	6.35	6.35	6.63
Germany Bund		6.250	04/06	99.0800	+0.100	6.37	6.39	6.66
Ireland		8.000	08/06	102.3000	-	7.66	7.59	7.84
Italy		9.500	02/06	101.2600	+0.330	9.30†	9.17	9.35
Japan	No 140	6.600	06/01	118.8264	+0.146	2.30	2.31	2.36
	No 182	3.000	09/05	97.8968	+0.172	3.30	3.30	3.28
Netherlands		8.500	06/06	115.1800	+0.140	6.37	6.35	6.59
Portugal		11.875	02/05	118.6600	+0.260	8.67	8.58	8.66
Spain		8.800	04/06	99.2000	+0.100	8.90	8.68	9.06
Sweden		8.000	02/05	86.0779	-0.210	8.34	8.22	8.37
UK Gilts		8.000	12/00	103-01	-	7.17	7.15	7.35
		7.500	12/06	97-05	-1/32	7.90	7.86	8.10
		9.000	10/08	107-19	-	8.01	8.00	8.22
US Treasury *		7.000	07/06	101-09	+10/32	6.81	6.78	6.98
		6.000	02/26	97-20	+11/32	7.00	6.97	7.13
ECU (French Govt)		7.500	04/05	104.3700	+0.110	6.81	6.78	7.09

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month		Two year	6.23
Prime rate	8¼	Two month		Three year	6.39
Broker loan rate	7	Three month	5.32	Five year	6.60
Fed.funds	5¼	Six month	5.48	10-year	6.83
Fed.funds at intervention		One year	5.84	30-year	7.00

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	123.12	123.28	+0.14	123.30	123.04	7,469	168,454
Dec	121.78	121.82	+0.14	121.94	121.70	1,545	33,445
Mar	121.54	121.70	+0.16	121.68	121.54	1,463	3,557

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Sep	Calls Oct	Calls Dec	Calls Mar	Puts Sep	Puts Oct	Puts Dec
120	-	-	-	-	0.04	0.29	0.60
121	-	-	1.77	-	0.09	-	0.87
122	1.45	-	1.20	-	0.20	-	1.23
123	0.73	-	-	-	0.48	-	-
124	0.27	0.12	0.40	-	-	-	-

Est. vol. total, Calls 14,112 Puts 18,682 . Previous day's open int., Calls 114,273 Puts 129,317.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	96.94	97.05	+0.17	97.13	96.90	121809	238489
Dec	96.10	96.15	+0.15	96.19	96.05	1489	9790

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Sep	Calls Oct	Calls Nov	Calls Dec	Puts Sep	Puts Oct	Puts Nov	Puts Dec
9700	0.40	0.37	0.58	0.71	0.64	1.22	1.41	1.59
9750	0.27	0.23	0.40	0.53	0.72	1.38	1.75	1.88
9800	0.13	0.14	0.27	0.39	1.08	1.99	2.12	2.24

Est. vol. total, Calls 13600 Puts 15301. Previous day's open int., Calls 148405 Puts 180092

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	115.24	115.84	+0.36	115.91	115.05	41209	83785
Dec	114.60	115.15	+0.36	114.60	114.60	105	3063

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
11550	0.99	1.67	0.65	2.02
11600	0.73	1.44	0.89	2.29
11650	0.50	1.21	1.16	2.56

Est. vol. total, Calls 5768 Puts 6733. Previous day's open int., Calls 63217 Puts 82687

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	100.10	100.15	+0.15	100.45	99.93	490,534	49,474

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	107-00	106-31	+0-01	107-02	106-23	32926	139114
Dec		106-05	+0-01			0	756

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Sep	Calls Oct	Calls Nov	Calls Dec	Puts Sep	Puts Oct	Puts Nov	Puts Dec
106	1-39	1-11	1-29	1-46	0-21	1-01	1-18	1-36
107	0-42	0-48	0-03	1-15	0-44	1-38	1-30	2-05
108	0-17	0-25	0-40	0-55	1-19	2-15	2-30	2-45

Est. vol. total, Calls 2262 Puts 1476. Previous day's open int., Calls 24250 Puts 25806

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	91.65	91.78	+0.12	91.78	91.58	1,644	8,114
Dec		90.08	+0.12				100

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	108-13	108-09	-0-05	108-17	108-03	318,178	430,389
Dec	107-30	107-26	-0-05	107-30	107-23	1,770	19,204
Mar	107-12	107-14	—	107-12	107-12	50	3,836

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol.	Open int.
Sep	119.07			119.29	119.04	3744	na
Dec	117.90			118.10	117.87	1130	na

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed Jul 31	Day's change %	Tue Jul 30	Accrued interest	xd adj. ytd		Low coupon yield Jul 31	Jul 30	Yr. ago	Medium coupon yield Jul 31	Jul 30	Yr. ago	High coupon yield Jul 31	Jul 30	Yr. ago
1 Up to 5 years (22)	122.40	0.01	122.38	2.85	5.23	5 yrs	7.30	7.30	7.81	7.35	7.35	7.82	7.43	7.43	7.92
2 5-15 years (20)	146.90	0.03	146.85	2.53	6.39	15 yrs	8.12	8.12	8.18	8.13	8.13	8.22	8.20	8.20	8.33
3 Over 15 years (8)	160.78	0.05	160.70	2.79	7.40	20 yrs	8.22	8.22	8.21	8.21	8.21	8.24	8.28	8.28	8.35
4 Irredeemables (6)	182.79	0.02	182.75	2.45	7.36	Irred.†	8.30	8.30	8.32						
5 All stocks (56)	142.16	0.03	142.14	2.76	6.17										

Index-linked							Inflation 5% Jul 31	Jul 30	Yr. ago	Inflation 10% Jul 31	Jul 30	Yr. ago
6 Up to 5 years (1)	198.42	0.11	198.21	2.34	4.43	Up to 5 yrs	2.73	2.78	3.23	1.15	1.20	1.53
7 Over 5 years (11)	187.57	0.13	187.34	1.26	2.79	Over 5 yrs	3.79	3.79	3.61	3.57	3.56	3.42
8 All stocks (12)	187.69	0.12	187.45	1.28	2.81							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Jul 31	Jul 30	Jul 29	Jul 26	Jul 25	Yr ago	High*	Low*
Govt. Secs. (UK)	82.77	82.74	92.82	93.00	82.74	93.29	96.34	91.59
Fixed Interest	112.82	112.82	112.78	112.75	112.75	111.40	115.23	110.74

* for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Jul 30	Jul 29	Jul 26	Jul 25	Jul 24
Gilt Edged bargains	84.1	67.8	71.1	97.8	79.1
5-day average	80.0	82.3	83.2	86.4	88.4

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on July 31

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 00	1000	96⅝	96⅞	+⅛	7.14
[illegible]					

STRAIGHT BONDS / FLOATING RATE NOTES / CONVERTIBLE BONDS: [illegible]

CURRENCIES AND MONEY

MARKETS REPORT

Swiss National Bank steadies jittery markets

By Philip Gawith

Foreign exchange markets had a turbulent day yesterday with the dollar coming under heavy selling pressure in Europe before recovering amid rumours of central bank support.

Although there was no explicit intervention, the Swiss National Bank did the next best thing when it made an unusually strong statement describing the franc as "massively overvalued". The franc has been making ground against both the D-Mark and the dollar recently.

The dollar recovered from an intra-day low of DM1.4645 to close in London at DM1.4728, from DM1.4774. Against the yen it finished at Y106.725 after touching a low of Y106.36.

The Swiss franc weakened dramatically after the SNB's mid-afternoon statement. Having rallied to SFr1.1847 against the dollar, and 80.82 centimes against the D-Mark, it closed later at SFr1.1970 and 81.3 centimes.

Strong money market rates in Switzerland had prompted rumours of a possible rise in interest rates, causing funds to flow into the franc. The SNB statement sought to reverse this speculation.

The Reserve Bank of Australia's surprise decision to cut official rates by 0.5 per cent to around 7 per cent – the first such cut since December 1994 - also played a part. This triggered a sharp sell-off in the Australian dollar, which fell to a low of 77.15 US cents from 78.75 a day previously. This bolstered the yen, putting pressure on the dollar, which was anyway wilting in the face of Swiss franc and D-Mark strength. Both have benefited as investors have retreated from high-yielding markets.

Elsewhere, there were unconfirmed rumours that the central banks of Italy, Spain, Portugal and France were in the market supporting their currencies. Another currency to feel the heat was the South African rand, which fell to a four month low of R4.5075, from R4.4665, against the dollar.

■ Dollar bulls took encouragement from its ability to finish the day off its lows, but there was no escaping the potentially perilous position which the price-action laid bare.

Mr Paul Chertkow, head of global currency research at UBS in London, said: "The dollar's recovery is at risk now. Left unchallenged, the market is going to sell the dollar heavily here."

One bank analyst said calls from leading central banks, for the first time in months, was evidence of the seriousness of the situation.

Mr Chertkow and others believe that the fundamentals still favour a firmer dollar, but that sentiment is running the other way at present.

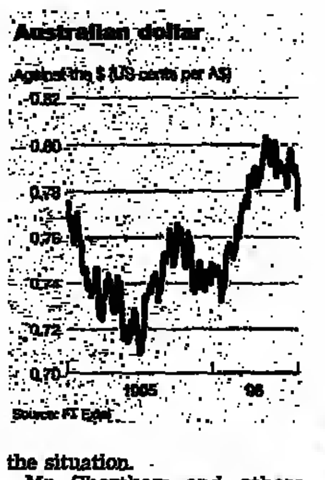
As is often in the case in these matters, it is the Bundesbank's hand that the market particularly wishes to see. Mr John Wareham, head of foreign exchange marketing at Merrill Lynch in London, said: "There is a growing sense on behalf of the foreign exchange markets that the Bundesbank will have to be tested to see at what point it will ease monetary policy. Markets will not be convinced a solution has been found until the Bundesbank does something."

He drew the analogy with the behaviour of the yen last year, which fell to Y80 against the dollar before eliciting a co-ordinated policy response from monetary officials. Mr Wareham said: "If rates in Germany are the same when the dollar gets to DM1.45 as when it was at DM1.53, then the German economy has taken a big deflationary whack on the nose."

The biggest risk to the dollar in the short term probably lies in a sequence of strong economic data over the next few days. Mr Chertkow said: "If the numbers are strong, the Fed has to move to forestall criticism that it is 'behind the curve'." This was the bogey phrase which dogged the dollar for much of 1994 when the Fed was perceived to be tardy in responding to inflation.

In defence of the Fed, Mr Stephen Lewis of the London Bond Broking Company pointed out that the market was, for the fourth time since the start of 1994, taking a policy view different from the Fed - yet on each of the previous three occasions, the Fed was proven correct.

Mr Chris Turner, currency analyst at BZW in London, said "the major concern for the dollar is whether the Fed will raise rates when it should." There are worries that the Fed's desire to protect a fragile equity market will affect US interest rate policy.



■ Pound in New York

Jul 31	Latest	Prev. close
£ spot	1.5565	1.5575
1 mth	1.5560	1.5571
3 mth	1.5559	1.5572
1 yr	1.5582	1.5586

POUND SPOT FORWARD AGAINST THE POUND

Jul 31		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.1367	-0.0443	253 - 480	16.2014	16.0872	16.1055	2.3	16.0305	2.6	-	-	105.6
Belgium	(BFr)	47.2970	-0.1084	584 - 355	47.5030	47.0210	47.202	2.4	47.012	2.4	46.222	2.3	107.3
Denmark	(DKr)	8.8634	-0.0194	586 - 682	8.8868	8.8332	8.8497	1.8	8.8293	1.5	8.7215	1.6	108.3
Finland	(FM)	6.9916	-0.0233	837 - 999	7.0580	6.9340	6.9874	0.8	6.9793	0.7	-	-	85.0
France	(FFr)	7.7810	-0.0201	786 - 852	7.8029	7.7621	7.7697	1.9	7.747	1.8	7.6536	1.6	110.1
Germany	(DM)	2.2933	-0.006	918 - 948	2.3000	2.2843	2.2889	2.3	2.2798	2.4	2.241	2.3	109.6
Greece	(Dr)	365.529	-1.217	334 - 725	367.007	364.549	-	-	-	-	-	-	67.8
Ireland	(I£)	0.9619	-0.0011	609 - 627	0.9645	0.9585	0.9613	0.8	0.9601	0.7	0.9556	0.6	99.5
Italy	(L)	2388.10	-7.34	647 - 980	2379.51	2363.72	2373.74	-2.8	2383.59	-2.6	2416.09	-2.0	75.6
Luxembourg	(LFr)	47.2970	-0.1094	584 - 355	47.5030	47.0210	47.202	2.4	47.012	2.4	46.227	2.3	107.8
Netherlands	(Fl)	2.5739	-0.0092	726 - 752	2.5829	2.5667	2.5678	2.8	2.5558	2.8	2.5081	2.6	107.8
Norway	(NKr)	9.9161	-0.0064	113 - 208	9.9619	9.9297	9.9076	1.0	9.8906	1.0	9.8071	1.1	98.8
Portugal	(Es)	236.321	-0.353	167 - 475	237.835	235.218	236.746	-2.2	237.651	-2.3	-	-	95.5
Spain	(Pta)	195.720	-0.31	587 - 859	196.243	195.326	195.98	-1.6	196.495	-1.8	197.885	-1.1	80.2
Sweden	(SKr)	10.2891	+0.0224	799 - 982	10.3110	10.2537	10.2884	0.0	10.2886	0.0	10.2874	0.0	88.6
Switzerland	(SFr)	1.8638	-0.0083	626 - 649	1.8716	1.8486	1.8588	3.2	1.8479	3.4	1.7998	3.4	113.3
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	84.6
Ecu	-	1.2194	-0.0041	188 - 200	1.2244	1.2160	1.2161	1.3	1.2151	1.4	1.2016	1.4	-
SDR†	-	1.064800	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5550	+0.0008	543 - 558	1.5610	1.5543	-	-	-	-	-	-	-
Brazil	(R$)	1.5732	+0.0004	725 - 738	1.5839	1.5720	-	-	-	-	-	-	-
Canada	(C$)	2.1400	+0.0024	388 - 412	2.1453	2.1373	2.1393	0.4	2.1357	0.8	2.1276	0.6	83.5
Mexico	(New Peso)	11.8285	+0.043	209 - 362	11.8362	11.7944	-	-	-	-	-	-	-
USA	($)	1.5571	+0.0007	566 - 576	1.5612	1.5557	1.5567	0.3	1.5566	0.1	1.5594	-0.1	85.6
Pacific/Middle East/Africa													
Australia	(A$)	2.0148	+0.026	135 - 160	2.0207	1.9922	2.0173	-1.5	2.0224	-1.5	2.0478	-1.6	90.1
Hong Kong	(HK$)	12.0416	+0.0083	369 - 462	12.0735	12.0307	12.0385	0.3	12.0218	0.7	12.0021	0.8	-
India	(Rs)	55.3550	-0.0512	036 - 063	55.8880	55.1038	-	-	-	-	-	-	-
Israel	(Shk)	4.9128	-0.0065	084 - 172	4.9240	4.9064	-	-	-	-	-	-	-
Japan	(Y)	166.182	-1.772	089 - 274	168.180	165.850	165.457	5.2	163.987	5.3	157.552	5.2	135.6
Malaysia	(M$)	3.8858	+0.0037	837 - 878	3.8925	3.8811	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2582	+0.0171	563 - 600	2.2642	2.2446	2.2632	-2.7	2.2727	-2.6	2.3065	-2.1	107.7
Philippines	(Peso)	40.8038	+0.0196	362 - 714	40.8714	40.7362	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8399	+0.0028	377 - 421	5.8550	5.8350	-	-	-	-	-	-	-
Singapore	(S$)	2.2004	-0.0006	989 - 018	2.2064	2.1969	-	-	-	-	-	-	-
South Africa	(R)	7.0167	+0.0672	133 - 240	7.0272	6.9564	-	-	-	-	-	-	-
South Korea	(Won)	1265.77	-0.24	520 - 633	1268.94	1264.78	-	-	-	-	-	-	-
Taiwan	(T$)	42.8483	+0.0206	267 - 698	42.9533	42.8175	-	-	-	-	-	-	-
Thailand	(Bt)	39.3246	-0.0394	964 - 528	39.4780	39.2964	-	-	-	-	-	-	-

† Rates for Jul 30. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

WORLD INTEREST RATES

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

UK INTEREST RATES

EMS EUROPEAN CURRENCY UNIT RATES

BASE LENDING RATES

COMMODITIES AND AGRICULTURE

UK farmland prices soar despite 'mad cow' scare

By Deborah Hargreaves

UK farmland prices soared in the second quarter of this year in spite of the crisis over bovine spongiform encephalopathy, according to the latest survey by the Royal Institution of Chartered Surveyors.

Land prices were 54 per cent up from the same period last year, at an average of £7,744 a hectare (£3,134 an acre).

However, a survey by Savills, the property consultants, found that a wide gap had opened in the first half of this year between the value of arable land and livestock pasture, which was attributed to the BSE crisis.

Savills' report notes that stock land increased by 3 per cent to around £1,500 per acre while medium quality arable land was up 15 per cent. In the stock farming areas of the north and west the land market has slowed almost to a standstill, Savills noted.

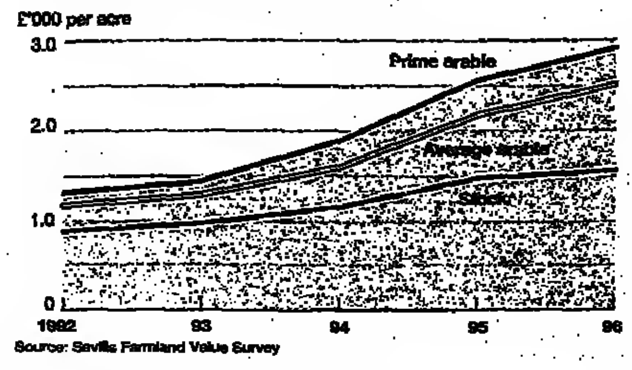
But the RICS found that demand for farmland was so high, the market had shrugged off the BSE effect. "There was a bit of a scare that BSE would cause an impact on the land market, but demand is so strong and supply so short and that's overtaken the BSE scare," said Mr Paul Pridmore, rural market panel chairman.

The institution reports that the volume of sales has doubled since last year, but demand remains strong and prices are still rising. Demand for land is being driven largely by arable farmers – who are enjoying booming grain prices – and residential buyers, reinforcing the recovery in the housing market generally, the survey notes.

"There is a lot of neighbour interest in land with farmers bidding against outside interests and often exceeding guide prices by 10 to 20 per cent," said Mr Pridmore.

Mr Jim Ward, head of agricultural research at Savills said: "The BSE crisis is the first major external negative influence on the land market for four years." He thought it increased the likelihood of land prices peaking in this year rather than in 1997.

Arable and stock land values



Source: Savills Farmland Value Survey

Cocoa body raises surplus estimate

The International Cocoa Organisation secretariat has lifted its forecast of the world cocoa supply surplus in 1995-96 to 20,000 tonnes, 10,000 tonnes higher than previously estimated.

Its projection of world gross production for the crop year is up 67,000 tonnes at 2.731m, while the grindings figure is raised by 57,000 tonnes to 2.684m.

The ICCO says the higher production figure principally reflects increased output forecasts in the Ivory Coast, Brazil and Cameroon. It now estimates Ivorian 1995-96 production at 1.1m tonnes, Brazil's at 215,000 tonnes and Cameroon's at 120,000 tonnes.

Brazil, Cameroon and the UK will all see increased grindings, it predicts, with only the Netherlands expected to post a reduction its domestic grind, now estimated at 378,000 tonnes.

Talk of low Russian platinum and palladium stocks rejected

By Kenneth Gooding, Mining Correspondent

Market rumours that Russian stockpiles of platinum and palladium might be running low are dismissed by the CPM metals consultancy in its latest survey.

The New York-based organisation has even revised upwards its estimate of Russian platinum exports this year. It now suggests that these will be maintained at last year's 1m troy ounces – representing about 20 per cent of total western world supply – rather than easing back to 900,000 ounces.

"It is clear that the [Russian] central government still holds large amounts of platinum and palladium in what once were considered long term strategic stockpiles. How much is a matter of great speculation but comments by government officials and other indications suggest that Russia still holds significant amounts of both metals," says CPM in its 1996 Platinum Group Metals Survey.

It points out that Russian exports of platinum exceeded estimated production only in the past two years. However, "the difference between exports of 750,000 to 950,000 ounces a year and production of 850,000 to 1,050,000 ounces a year from 1991 to 1994 was very low – 50,000 to 250,000 ounces."

CPM says some platinum was recovered from scrap in Russia during this period, confusing calculations about how much was sold from stocks. "A great deal of military ordnance is believed to have been refined for its metals content, including platinum."

The western world platinum market is likely to see a small supply surplus this year, according to CPM – about 50,000 ounces compared with a surplus of 146,000 ounces in 1995. "Such small surpluses highlight the extent to which the platinum market is finely tuned at present: it has been virtually in balance for the past three years. Small changes in supply and demand therefore have dramatic effects on prices."

Consequently, the strike that has been affecting Rustenburg in South Africa, the world's biggest single platinum producer, "may weigh heavily on the price later in 1996. Also, any reduction in shipments from Russia could lead to an upward adjustment in platinum prices."

As for palladium, CPM suggests the market faces a seventh successive year of supply surpluses this year, one of 1.219m ounces against the 1.45m surplus in 1995.

Platinum Group Metals Survey 1996: US$75 from CPM, 30 Broad Street, 37th floor, New York, NY 10004.

Copper price fall sparks output race

By Nikki Tait in Sydney

Mining companies are rushing new copper projects into production as fast as possible in an effort to reduce average production costs following the steep drop in price caused by the Sumitomo scandal and the unsettled medium term outlook for the market.

Yesterday MIM Holdings, the Queensland-based metals group, and Equatorial Mining, a smaller Australian group, said the expected start-up dates of their projects in Latin America had been moved forward.

MIM said the commissioning date for large Bajo de la Alumbrera copper-gold mine in Argentina had been advanced by two months to "early in the second half of 1997".

It also revealed that "project enhancements" had helped to push up the cost of the mine development by over A$100m. "The capital cost of these enhancements is US$43m. Additionally, following a recently-completed definitive estimate, the base project cost is now expected to increase by a further US$63m", it said.

As a result, total project capital cost before financing will stand at US$903m, compared with the US$798m estimate in the feasibility study.

However, MIM said that the benefits from the early start-up, plus increased production and recovery, should more than outweigh the extra expenditure. The production estimates are now confirmed at an average 180,000 tonnes of copper and 640,000 ounces of gold per year, "with enhancements providing higher metal production in the early years and the initial life of mine plan extended to 20 years."

As part of the enhancements, slurry pipeline capacity will be increased from 730,000 to 800,000 tonnes of concentrate a year, and a gravity circuit will be installed to extract up to 50 per cent of the gold available as "free gold".

MIM has a 50 per cent interest in the project and the Melbourne-based North group and Rio Algom of Canada have 25 per cent each.

Meanwhile, Equatorial said it now hoped to bring the El Tesoro project in northern Chile, where its partner is the local Luksic Group, in to production in the first half, rather than the second half, of 1998.

The initial annual output rate would be 30,000 tonnes of copper cathode. The second stage, taking output to 60,000 tonnes a year, would be planned to start within three years with the possibility of boosting production eventually to 100,000 tonnes.

Full studies urged on PNG mine projects

By Nikki Tait

Highlands Gold, the Papua New Guinea-based mining company controlled by Australia's MIM Holdings until earlier this year, said yesterday it was recommending that full, bankable feasibility studies be done on both its Frieda-Nena and Ramu projects – a move that could lead to two major new mines in the country.

In the light of completed pre-feasibility studies, it said that "both the Frieda and Ramu projects have been shown to be technically feasible".

"The financial returns are sufficiently attractive for us to be recommending to our joint venturers that we proceed to completing a bankable feasibility study on each project," it added.

Frieda-Nena, in which Highlands has an 83.95 per cent stake, is a copper-gold prospect in the north-east of the Highlands region. The company said yesterday it could produce between 160,000 and 230,000 tonnes of copper a year, and 225,000 to 375,000 ounces of gold. The mine life would be around 23-29 years, and the capital cost of developing a mine is put at US$1.1bn-US$1.5bn.

Ramu, to the west of Mt Hagen, would cost around US$750m to develop and could produce around 33,000 tonnes of nickel and 2,800 tonnes of cobalt (as oxide) over a 20 year mine-life. Highlands' interest is 65 per cent.

Highlands acknowledges that both projects would be technically complex. Because of this, and the size of the funding involved, it said it was seeking additional joint venture partners who would be able to earn their interest in the projects by funding Highlands' share of the cost of the feasibility studies.

MIM, which previously had strong links with Highlands and four boardroom seats, sold its 65 per cent interest in the Port Moresby-based group earlier this year.

MARKET REPORT

LME nickel prices hit 15-month lows

NICKEL prices slipped to a 15-month lows on the London Metal Exchange yesterday, and though they steadied somewhat in late trading traders thought further liquidation remained likely.

Stop-loss selling saw the three months delivery price drop to $6,910 a tonne, down $120 from Tuesday's close. By tha end of after hours "kerb" trading it had rallied to $6,935.

Poor physical offtake, rising LME stocks and lower trending charts were likely to keep the market on the defensive, analysts warned.

"Expect further selling pressure as we look for a confirmed breach of $6,970 to signal an initial target of $6,900," said Mr Martin Squires of LME broker Rudolf Wolff.

Several traders have recently noted that there are sizeable off-market nickel stocks that still need to be worked off in Europe, some of which are now arriving in LME warehouses.

"Overall LME stocks look set to rise in the coming weeks," said one trader. "This is likely to leave the market open to further losses."

Thin trading conditions saw LME COPPER prices move in a fairly wide range as the market continued broadly consolidating between $1,900 and $2,000 a tonne, for three months delivery. The price was last at $1,955.

"There is little or no real business around at the moment," one trader said. "Prices pushed higher on the back of a small buy order." He expected the thin conditions to continue for the remainder of the week, given little strong market related news. "We await LME stocks on Friday," he said.

The three months ALUMINIUM price dipped $12 to $1,526 a tonne under light profit-taking following its earlier refusal to hurdle resistance above $1,540.

LEAD eased by $3 to $810 a tonne, while ZINC dipped $4 to $1,050, both for three months delivery.

Far East trade buying helped to underpin the TIN market, with the three months prices ending at $6,175 a tonne, up $65.

Compiled from Reuters

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1495.5-96.5	1530-31
Previous	1500.5-501	1536-37
High/low	1495.5	1538/1526
AM Official	1495.5-96.0	1530-30.5
Kerb close		1525-26
Open int.	230,075	
Total daily turnover	49,835	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1265-70	1302-05
Previous	1265-75	1300-305
High/low		1305/1301.5
AM Official	1266-68	1301.5-302.0
Kerb close		1302-5
Open int.	4,890	
Total daily turnover	271	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	806.5-7.5	810-11
Previous	806-7	812-13
High/low	807/806.5	812/805
AM Official	806.5-7.0	809-10
Kerb close		809-10
Open int.	30,232	
Total daily turnover	8,815	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	6855-65	6975-80
Previous	6925-35	7040-50
High/low		7050/6910
AM Official	6810-20	6920-30
Kerb close		6930-35
Open int.		
Total daily turnover		

■ TIN ($ per tonne)

	Cash	3 mths
Close	6090-95	6160-61
Previous	6065-75	6130-35
High/low	6080	6190/6120
AM Official	6075-80	6138-42
Kerb close		N/A
Open int.	16,482	
Total daily turnover	4,879	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1021.5-22.5	1048-49
Previous	1027.5-28.5	1054-55
High/low	1022/1021	1051/1046
AM Official	1022-22.5	1048.5-49.0
Kerb close		1049-50
Open int.	30,921	
Total daily turnover	15,946	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2045-50	1956-58
Previous	2025-30	1950-51
High/low	2035/2016	1960/1935
AM Official	2037-39	1948-50
Kerb close		1955-56
Open int.	199,108	
Total daily turnover	62,670	

■ LME AM Official £/$ rate: 1.5590
LME Closing £/$ rate: 1.5612

Spot: 1.5560 3 mths: 1.5556 6 mths: 1.5584 9 mths: 1.5575

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	94.00	+1.40	94.00	92.45	356	2,851
Sep	93.20	+1.00	93.30	91.70	5,389	17,441
Oct	92.55	+0.95	90.50	90.50	102	1,364
Nov	91.90	+0.90	89.95	89.95	102	1,767
Dec	91.25	+0.85	81.25	90.00	1,090	14,264
Jan	91.10	+0.90	89.50	89.15	19	979
Total					7,527	54,943

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	385.20-385.50		
Opening	384.90-385.20		
Morning fix	385.50	247.290	458.380
Afternoon fix	385.30	247.304	459.162
Day's High	385.60-385.90		
Day's Low	384.35-384.65		
Previous close	384.60-385.00		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.51	6 months	4.12
2 months	4.45	12 months	4.10
3 months	4.40		

Silver Fix	p/troy oz.	US cts equiv.
Spot	327.95	511.25
3 months	332.25	517.85
6 months	338.15	524.25
1 year	343.05	538.60

Gold Coins	$ price	£ equiv.
Krugerrand	385-388	247-249
Maple Leaf	394.40-396.80	
New Sovereign	90-93	58-60

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	387.5	+0.8	388.0	384.2	31,500	11,422
Oct	390.5	+0.2	391.2	387.4	3,297	14,358
Dec	393.1	+0.1	393.3	390.0	26,122	76,522
Feb	395.8	+0.3	396.0	393.1	1,553	9,067
Apr	398.3	-	-	-	488	6,443
Jun	401.1	-	398.5	398.5	839	9,356
Total					66,297	169,384

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	401.7	-	-	-	2	2
Oct	407.2	+4.3	407.0	403.5	1,487	19,110
Jan	409.6	+4.3	410.0	405.5	165	3,063
Apr	412.3	+4.3	-	-	3	2,373
Jul	415.0	+4.3	411.5	411.5	56	163
Total					1,662	24,709

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	132.65	+2.95	132.90	131.00	321	6,446
Dec	133.95	+2.95	133.00	132.50	15	1,496
Mar	135.05	+2.95	-	-	-	62
Jun	136.10	+2.95	-	-	-	107
Total					336	8,101

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	512.2	+8.0	-	-	-	18
Sep	514.8	+8.0	515.5	505.5	5,241	61,089
Dec	522.9	+8.1	524.0	517.0	867	25,849
Mar	531.3	+8.2	530.0	527.0	32	7,455
May	536.6	+8.3	532.0	531.0	10	5,508
Jul	541.0	+8.4	523.5	523.0	90	4,117
Total					6,162	108,654

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	20.50	+0.17	20.57	20.10	20,794	67,967
Oct	19.99	+0.15	20.05	19.83	7,131	40,036
Nov	19.58	+0.13	19.63	19.41	2,357	27,549
Dec	19.27	+0.12	19.32	19.13	5,250	35,652
Jan	19.07	+0.16	19.07	18.91	1,960	27,252
Feb	18.65	+0.12	18.65	18.73	1,236	19,584
Total					43,227	340,538

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	19.00	+0.23	19.09	18.80	17,360	65,479
Oct	18.67	+0.21	18.76	18.52	5,435	32,531
Nov	18.40	+0.16	18.44	18.23	1,092	8,653
Dec	18.11	+0.17	18.14	17.93	1,171	15,284
Jan	17.84	+0.15	17.88	17.72	1,212	10,871
Feb	17.60	+0.11	17.61	17.60	258	5,958
Total					27,926	154,299

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Aug	56.70	+1.05	56.90	55.70	10,700	8,643
Sep	56.45	+0.81	56.75	55.85	12,488	34,536
Oct	56.70	+0.81	56.80	56.10	3,071	9,526
Nov	56.90	+0.71	57.05	56.50	1,347	9,181
Dec	57.20	+0.71	57.30	56.60	2,971	22,788
Jan	57.20	+0.66	57.35	56.90	1,210	9,044
Total					33,208	111,289

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	177.00	+2.75	177.25	174.00	4,010	17,401
Sep	175.00	+2.50	175.50	172.00	4,193	12,440
Oct	173.75	+2.25	173.75	171.25	1,849	4,964
Nov	172.75	+2.25	172.75	171.00	453	3,742
Dec	171.25	+2.00	171.50	169.50	817	10,379
Jan	169.50	+1.75	169.50	168.00	999	3,720
Total					13,969	69,011

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	2.180	+0.036	2.235	2.130	15,670	29,023
Oct	2.185	+0.032	2.235	2.140	4,600	18,774
Nov	2.240	+0.045	2.270	2.201	26	12,284
Dec	2.275	+0.030	2.310	2.259	1,853	14,713
Jan	2.280	+0.083	2.320	2.270	1,651	11,767
Feb	2.200	+0.055	2.250	2.200	989	6,853
Total					28,577	131,089

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Aug	61.80	+0.57	62.40	61.25	14,537	7,772
Sep	59.95	+0.36	60.30	59.25	11,301	27,607
Oct	57.45	+0.15	57.80	57.20	2,182	7,170
Nov	55.00	+0.25	56.00	55.80	744	3,235
Dec	55.15	+0.30	55.30	54.90	459	3,207
Jan	54.75	+0.40	54.75	54.55	1,222	2,889
Total					31,087	54,431

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	110.45	-0.55	110.75	110.60	33	354
Nov	112.30	-0.45	113.00	112.35	104	3,001
Jan	114.30	-0.50	114.60	114.45	75	1,339
Mar	116.25	-0.55	116.50	116.50	25	458
May	118.25	-0.55	110.60	118.90	23	284
Jul	120.20	-0.45	-	-	-	42
Total					260	5,478

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	440.00	+1.75	441.00	435.00	6,459	26,756
Dec	444.75	+2.75	445.50	439.50	9,516	31,829
Mar	443.50	+3.50	445.50	440.00	890	6,306
May	418.00	+2.00	418.00	417.00	28	216
Jul	389.50	+5.00	389.00	384.00	134	2,482
Dec	395.50	+4.00	400.00	398.00	-	81
Total					17,036	67,704

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	354.25	-3.50	356.75	350.25	13,585	59,689
Dec	319.75	-	321.00	317.25	41,431	166,122
Mar	328.00	-	329.80	325.25	3,512	35,861
May	333.50	-	334.25	331.25	1,358	11,365
Jul	334.75	+0.25	335.50	332.50	745	8,593
Sep	305.00	+1.00	306.00	304.00	88	890
Total					61,236	299,217

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	101.90	-0.50	102.25	102.00	6	188
Nov	104.30	-0.70	104.75	104.25	88	911
Jan	106.25	-0.65	106.75	106.50	59	312
Mar	108.25	-0.50	108.50	108.50	4	57
May	110.00	-1.00	-	-	-	50
Total					154	1,518

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	765.75	+3.50	768.25	761.50	12,809	14,693
Sep	747.00	+2.25	750.00	739.50	3,885	13,939
Nov	733.00	+4.00	735.00	724.00	37,802	110,556
Jan	740.75	+3.75	743.00	731.75	1,564	16,155
Mar	746.75	+3.25	749.00	732.75	488	6,670
May	749.50	+3.50	749.00	744.00	182	5,858
Total					67,298	175,337

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	24.25	+0.17	24.25	24.11	11,471	6,680
Sep	24.45	+0.14	24.48	24.20	9,054	17,404
Oct	24.65	+0.15	24.66	24.42	897	11,313
Dec	25.10	+0.20	25.12	24.85	7,578	34,308
Jan	25.29	+0.20	25.25	25.10	777	4,010
Mar	25.60	+0.20	25.54	25.35	124	3,820
Total					30,157	80,985

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	242.9	+0.9	243.0	241.3	9,329	16,808
Sep	238.8	+0.9	238.8	237.4	4,252	14,795
Oct	232.2	+0.6	233.0	231.3	1,252	7,028
Dec	229.4	+1.0	230.0	228.1	0,406	25,715
Jan	229.3	+0.8	229.5	228.3	655	4,077
Mar	229.1	+0.1	229.5	228.3	142	3,347
Total					24,653	75,858

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	85.0	-	-	-	-	-
Mar	110.0	-	-	-	-	-
Apr	113.0	-0.5	114.5	111.5	44	1,010
May	127.5	+10.0	-	-	-	3
Jun	162.5	-	-	-	-	-
Total					44	1,013

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	1074	-2	-	-	-	1,203
Aug	1065	-8	1066	1060	36	1,006
Sep	1120	-8	1121	1115	52	660
Oct	1220	+1	1220	1205	158	1,357
Jan	1235	+3	1235	1225	10	409
Apr	1245	-5	-	-	-	191
Total					284	4,846

	Close	Prev
BFI	1068	1068

FUTURES DATA
All futures data supplied by CMS.

Nuts and Seeds
Prices from Kenkko Group; US$ a tonne. Iranian pistachios 28/30 raw (in shell) naturally opened (round); 1995 crop 3,350 CFR/FOT MEP, up slightly. US almonds (shelled): 1996 crop, blanchable, 23/25 NPSSR AOL 6,390, shipment September-October, 18/20 NPS at 5,620, standard 5% 5,150 (corrected from last week) shipment *September/October* – all FAS California. Next crop report due August 20. US walnuts 1995 crop LHP 20%, 5,600 FAS California, *Jumbo Hartley No 1 indicated at 2,204.* Harvest report due August 30. US hazelnuts – new crop 30% down because of adverse weather; current estimate 26,000 tonnes. Jumbo kernels at 4,080 (3,850 last year). In shell Jumbo/Giant at 1,655 (1,435 last year). Indian cashews raw: W-320, 5,650 spot Europe – down slightly. *Chinese pine kernels,* super grade, 10,000 CIP MEP.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	968	+44	942	936	1	7
Sep	968	+8	970	945	2,199	40,300
Dec	981	-2	988	965	2,817	39,223
Mar	1001	-	1007	987	3,010	38,348
May	1016	+1	1021	1002	817	20,445
Jul	1028	-	1035	1018	264	12,476
Total					9,591	172,386

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1333	+8	1342	1300	4,290	21,512
Dec	1372	+8	1377	1341	2,247	18,681
Mar	1407	+12	1409	1381	328	16,489
May	1428	+12	1415	1400	176	7,753
Jul	1438	+11	1430	1425	-	5,939
Sep	1459	+11	1455	1445	23	5,166
Total					7,065	80,500

■ COCOA (ICCO) (SDR's/tonne)

Jul 30	Price	Prev. day
Daily	999.56	1008.26

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	1539	+49	1500	1480	28	27
Sep	1539	+7	1560	1530	1,591	13,647
Nov	1504	+5	1530	1500	1,191	8,960
Jan	1465	+18	1481	1458	214	3,842
Mar	1425	+24	1443	1418	285	2,349
May	1400	+10	1425	1407	71	453
Total					3,371	29,427

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	106.40	+1.15	108.00	105.80	2,670	14,993
Dec	100.65	+0.65	101.90	100.00	1,331	8,508
Mar	98.80	+0.90	99.75	98.50	442	3,564
May	100.00	+1.75	100.10	100.00	356	940
Jul	100.25	+0.25	100.00	98.00	95	440
Sep	100.25	+0.85	-	97.05	25	138
Total					4,894	28,667

■ COFFEE (ICO) (US cents/pound)

Jul 30		Prev. day
Comp. daily	96.25	96.85
15 day average	98.46	98.94

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	348.1	-3.0	351.9	347.0	1,180	11,111
Dec	343.9	-2.7	347.4	342.5	384	3,743
Mar	340.1	-2.5	343.5	338.5	500	5,788
May	336.3	-1.8	338.3	335.0	41	2,331
Aug	333.8	-0.8	333.5	332.5	27	885
Oct	322.8	+2.4	323.5	322.5	21	846
Total					2,186	24,718

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	11.70	-0.17	11.00	11.50	5,809	75,133
Mar	11.42	-0.09	11.54	11.26	2,346	42,131
May	11.18	-0.05	11.23	11.01	1,829	15,987
Jul	10.90	-0.04	10.99	10.80	499	12,483
Oct	10.72	-0.05	10.76	10.65	534	5,862
Mar	10.60	-	10.68	10.65	217	676
Total					11,092	153,486

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	73.20	+0.47	73.50	73.00	1,339	7,968
Dec	73.70	+0.49	73.95	73.55	7,771	32,442
Mar	75.12	+0.52	75.24	74.91	649	7,683
May	75.85	+0.65	75.85	75.52	83	5,840
Jul	76.27	+0.49	76.30	76.10	188	4,167
Oct	76.60	-0.10	75.70	75.70	35	1,045
Total					10,094	62,007

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	110.99	+1.45	117.80	114.50	370	11,283
Nov	113.80	+1.30	114.40	112.00	156	3,808
Jan	113.10	+1.10	113.75	111.90	69	4,266
Mar	114.20	+1.00	114.50	112.80	73	650
May	115.50	+1.80	116.25	116.25	10	226
Jul	116.80	+1.00	-	-	-	165
Total					688	20,513

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ REUTERS (Base: 18/9/31=100)

Jul 31	Jul 30	month ago	year ago
1943.0	1979.0	2002.4	2199.1

■ CRB Futures (Base: 1967=100)

Jul 30	Jul 29	month ago	year ago
240.51	240.54	na	na

■ GSCI Spot (Base: 1970=100)

Jul 30	Jul 29	month ago	year ago
194.88	193.01	-	-

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	65.275	+0.600	65.325	64.600	7,625	22,895
Oct	68.550	+0.450	68.650	67.950	8,118	36,461
Dec	66.375	+0.575	66.400	65.800	3,720	18,530
Feb	64.625	+0.425	64.700	64.150	1,292	12,440
Apr	66.350	+0.175	66.450	66.050	202	4,801
Jun	64.560	-	64.800	64.400	73	2,162
Total					21,231	99,881

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	58.725	-0.825	59.650	58.650	4,220	6,888
Oct	53.825	-0.875	54.600	53.400	3,172	13,352
Dec	55.175	-0.375	55.850	54.700	1,044	8,303
Feb	75.700	-0.225	76.000	75.450	163	2,447
Apr	73.325	-0.325	74.025	73.300	65	895
Jun	78.300	-0.400	78.600	78.000	16	914
Total					8,703	33,136

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	95.350	+1.950	95.400	94.500	15	31
Aug	94.475	+0.775	95.650	92.700	2,048	3,134
Feb	81.700	-1.1	83.200	81.200	1,388	2,754
Mar	81.650	-0.65	82.850	81.000	71	193
May	81.975	-1.025	82.000	81.000	5	83
Jul	81.900	-0.350	82.250	81.500	5	11
Total					3,526	6,206

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Sep	Dec	Sep	Dec
1400	112	153	2	12
1500	36	83	25	40
1600	5	57	94	93
■ COPPER (Grade A) LME	**Sep**	**Dec**	**Sep**	**Dec**
1800	216	202	10	63
1900	137	145	30	103
2000	77	100	69	156
■ COFFEE LCE	**Sep**	**Nov**	**Sep**	**Nov**
1600	40	75	101	171
1650	26	61	137	207
1700	20	49	181	245
■ COCOA LCE	**Sep**	**Dec**	**Sep**	**Dec**
950	34	70	18	39
975	21	57	28	51
1000	12	46	44	65
■ BRENT CRUDE IPE	**Aug**	**Sep**	**Aug**	**Sep**
1850	-	58	20	46
1900	37	37	-	-
1950	18	30	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$17.60-7.69	+0.300
Brent Blend (dated)	$19.06-9.10	+0.260
Brent Blend (Sep)	$18.98-9.00	+0.260
W.T.I.	$20.47-0.49x	+0.245

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$207-209	
Gas Oil	$178-180	+2.5
Heavy Fuel Oil	$90-93	+2.5
Naphtha	$190-192	
Jet fuel	$202-203	+2
Diesel	$181-183	+2.5

■ NATURAL GAS (Pence/therm)

Bacton (Aug)	13.45-13.65	+0.25

Petroleum Argus, Tel. London (0171) 359 8792

■ OTHER

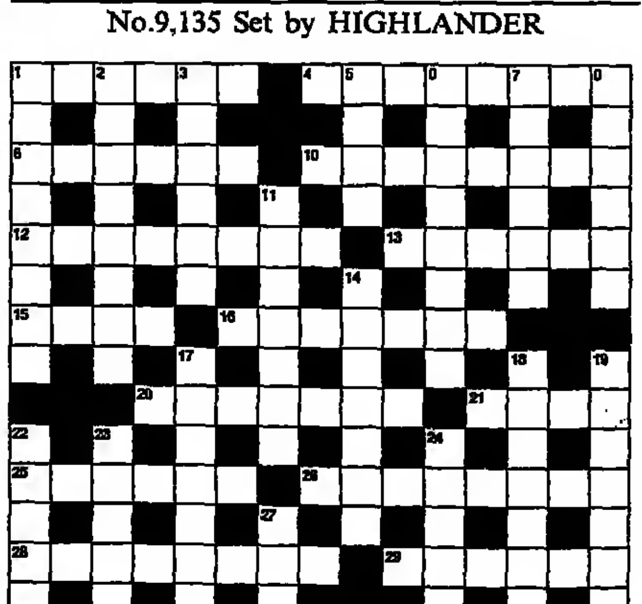
Gold (per troy oz)♣	$385.35	+0.55
Silver (per troy oz)♣	511.00c	+2.50
Platinum (per troy oz.)	$399.75	+0.65
Palladium (per troy oz.)	$130.00	+0.50
Copper	101.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	15.06r	-0.01
Tin (New York)	286.50	+3.00
Cattle (live weight)	94.75p	-4.34*
Sheep (live weight)	107.40p	-10.90*
Pigs (live weight)†	105.88p	+0.51*
Lon. day sugar (raw)	$315.20	-0.30
Lon. day sugar (wte)	$374.80	+2.10
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	$157.0x	
Wheat (US Dark North)	Unq	
Rubber (Sep)♥	90.00p	-0.25
Rubber (Oct)♥	90.00p	-0.25
Rubber (KL RSS No1)	390.00m	-2.50
Coconut Oil (Phil)§	790.00w	+5.0
Palm Oil (Malay.)§	$480.0v	
Copra (Phil)§	$502.0w	-4.0
Soyabeans (US)	211.5w	-1.5
Cotton Outlook 'A' Index	79.75c	+0.40
Wooltops (64s Super)	430p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. x Sep. w Jul/Aug. z Aug/Sep v Aug ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 1,260 head of pigs sold.

JOTTER PAD

CROSSWORD

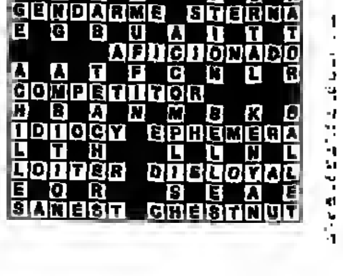
No.9,135 Set by HIGHLANDER



ACROSS
1 Final result at University Ball? (6)
4 *Greeting sounds* cold and strangely thin. It's a plant! (8)
9 Stop to lift carpet (4,2)
10 *First name* of president speaking freely on rejected love (8)
12 Bill and rating separated by copper – *it's all right* (8)
13 US gangster's top single (6)
15 A key genetic code carrier for a girl (4)
16 James reported bloomer with girl's dress (7)
20 On the rocks? There's a reason (7)
21 Portion of most unappetising fish (4)
25 Use 'em on manoeuvre (6)
26 Assume sodium left? Like bell! (8)
28 Sacred books twice put in centre of converted *bethel* (3,5)
29 Arrived in front section of *ship with handcart* (6)
30 Getting better driving competitively over rough terrain (8)
31 Lacking intelligence, puts back identification (6)

DOWN
1 International group regarded as being not in *first three* or four (8)
2 Synthetic polymer is going up: *50 + 1*, then *100 + 1* (8)
3 Old version of revue works in Paris (6)
5 *See bowl at full length* (4)
6 Is under arrest after prison produces drug (8)
7 *Hold the admiral* in Lancashire (6)
8 Watch the horse – he goes after the game (6)
11 Remains with corsets over leg (5,2)
14 Stupid when repeated in English (7)
17 Half ignoring, in my dreadful humiliation (8)
18 The second athlete going over in the lead (6,2)
19 Greeting we had set apart as sacred (8)
22 Crossword *compiler's dog* (6)
23 Fund-raising attraction (6)
24 Others go round every year for a meal (6)
27 Pastry tart enthusiast swallows first of loganberries (4)

Solution 9,134



FT MANAGED FUNDS SERVICE

• FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

IRELAND (REGULATED)(**)

IRELAND (SIB RECOGNISED)

Murray Johnstone (Dublin) Ltd
Europa House, Harcourt St, Dublin 2 3531 407 2000
Murray Global Accumulation Fund Plc

Money Financials Bond .. 2	102.54		-0.02	4.88

Odey Asset Management Ltd
90 Harcourt Street, Dublin 2 00 3531 790 2400

Odey European Gth Inc	DM150.18	—	-
Odey European Gth Acc	DM150.73	—	-
Odey European Gth Inc	£65.15	—	-
Odey European Gth Acc	£65.34	—	-

Baring Mutual (Ireland) Ltd

Umbrella Fund Inc	$12.48	12.88	—	5.64
Greater America Fund '92	$95.04		—	0.00
Pacific Emerging Utl A	$64.98		—	0.00
Pacific Emerging Utl B	$91.37		—	0.00
Latin America	$07.80		+0.02	0.00

Berkshire KITC Growth Fund Plc

NAV	$8.10	-1.01	-

Berkshire Korea Fund Plc

NAV	$5.40	-0.03	-

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (REGULATED)(**)

JERSEY (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

Offshore Funds and Insurances

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

	Selling Price	Buying Price	+ or -	Yield Gross
The Portugal Fund Limited				
Lloyds Bank International (Jersey) Limited				
NAV Jul 26	$7.12		–	–
Royal Bk of Scotland Fd Mngrs (Jersey) Ltd				
Ivory Growth Fund	£23.35	23.56	–	1.14
Lowes Aggressive Portfolio	£10.23	10.78	–	–
Lowes Defensive Ptflio	£11.74	12.33	–	–
Lowes Collective Ptflio Ltd.	£11.1	11.64	–	–
For Scrooge see Gleneagles				
TSB Fund Managers (CI) Ltd				
TSB Island Pension	703.1	740.2	+2.4	–
Island Equity Acc	122.6	129.0	+0.4	–
WMB Asset Management (Jersey) Ltd				
Fst 500 Em Mkts Dollar Income	$930.14	980.28	–	–
Worldinvest (Managers) Jersey Ltd				
Worldinvest Inc Fd †	$256.83	257.22	–	5.85
Excalib Global Eqty B	577.58	77.95	–	–
Excalib Sep Global Fixed Inc*	£11.74	11.01	–	4.83
Valued weekly. * Monday. † Wednesday.				

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

OFFSHORE INSURANCES

[illegible]

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

ALCOHOLIC BEVERAGES

BANKS, MERCHANT

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

FOOD PRODUCERS - Cont.

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

HOUSEHOLD GOODS - Cont.

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

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LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

The following Investment trusts are not eligible for inclusion in the FT-SE Actuaries Share Indices

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER FINANCIAL - Cont.

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£22½	—	£34½	£22½	1,503	3.5	Φ
Barlow	♣†	884	—	£10¾	864	1,286	2.0	-
Gold Flds Prop R		120xd	—	170	120	12.3	7.2	9.3
NK Props		80	—	96	75	3.22	11.5	-
SASOL	♥	655	—	716	475	3,835	1.7	-
SA Brews		£17½		£26½	£17¼	5,181	2.0	Φ
Standard Bank		£24½		£32½	£20¾	2,885	1.8	20.5
Tiger Oats	†	808	—	1270	770	1,203	2.0	18.3
Tongaat-Hulett		736xd	—	1287	736	686.7	2.5	Φ

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) in the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on *prospectus or other official estimates.*
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
4 Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment

F Yield based on prospectus or other official estimates for 1996-97
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
N Dividend is paid in whole or part as a

FD (Foreign Income Dividend)
R Forecast annualised yield, *p/e based on* prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xd ex capital distribution.

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For readers phoning from outside UK, please dial +44 in place of the first 0.

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LONDON STOCK EXCHANGE

MARKET REPORT

Results and Wall Street help Footsie pass 3,700

By Philip Coggan, Markets Editor

A good set of corporate results bolstered the UK stock market in the morning and with Wall Street making a strong opening in the afternoon, the FT-SE 100 index regained the 3,700 level yesterday.

Figures from Glaxo, BAT and Guardian Royal Exchange were all better-than-expected; shares in the latter two rose strongly, making them Footsie's best performers on the day. But early gains in Glaxo were eroded as analysts decided the figures were a ooe-off and that margins and profits growth would not be as good in future.

Mr Bob Semple, market strategist at NatWest Securities, said "the corporate results haven't been that bad but where we go from here is determined by US economic data and their effect on the bond market." Mr Semple feels that US interest rates will rise, Treasury bond yields will hit 7.5 per cent and the UK market will worry more about politics; he still expects Footsie to end the year at 3,700.

Yesterday a weaker-than-expected Chicago purchasing managers' report led to optimism about the Federal Reserve's next meeting on August 20. According to Mr Ian Harnett, UK group chief economist at SGST, "a number of pieces of weak data has led to a growing view that Mr Alan Greenspan (the Fed chairman) might have called the economy right and rates might not need to rise."

Thursday's second quarter gross domestic product figures and Friday's non-farm payroll report will provide further evidence of the US economy'a strength, and further tests of Wall Street's nerve.

Treasury bonds yesterday rose strongly on the Chicago report and the Dow Jones Industrial Average was around 38 points ahead at the close of London trading.

The FT-SE 100 index, having been just 15.8 points ahead when New York started trading, enjoyed a further spurt after 3pm and ended the day 34.7 ahead at 3,703.6. The futures contract helped pull the cash market ahead and investors were buying the more liquid blue chip stocks; the Mid-250 index rose just 11.5 to 4,230.6.

Yesterday's gain still meant that Footsie had recorded a decline for the third consecutive month; the Coppock indicator, a guide to medium-term market momentum, has been falling since the end of March.

Volume picked up yesterday, with the help of yet another share buy-back programme, this time from Thames Water, which acquired 10 per cent of its capital. Turnover in the utility was responsible for around 11 per cent of the 784.8m shares traded by the 6pm count.

After a dismal Monday, the value of retail business on Tuesday climbed to £1.66bn, with the help of the NatWest share buy-back.

There was plenty of corporate news to keep traders busy, with profits warnings from Pilkington (Footsie's worst performer) and Northern Ireland Electricity, a £476m deal from bus and rail operator Stagecoach, the renewal of speculation at Blenheim and a bid for one of the largest investment trusts, Kleinwort European Privatisation.

Gilts, however, were of little help to equities, with the benchmark 10 year issue closing unchanged.

Brokers cut glass giant

Sentiment in the building materials sector appeared to sour after annual meeting warnings of poor trading from glass giant Pilkington and Marsballs, best known for its range of paving stones.

Pilkington, bit by price weakness in France and Germany, warned that last year's dull cooditions bad wasbed over into the first quarter of this year, and that first half profits would decline as a result. Brokers cut their profit forecasts for the group. NatWest Securities came back by £25m to £225m for this year.

The shares slipped to the bottom of the Footsie performance charts for the second day running. Tbey ended 8 lower at 182p after another hectic session, for a two-day setback of 14. Volume was 8.2m.

Marshalls, which indicated a 13 per cent decline in operating profits for the first quarter, came off 4 to 138p.

Ulster Rec slides

Utilities were one of the main talking points of the day after shares in one electricity company plunged on news of the industry regulator's price proposals and a water company carried out a repurchase of its shares.

News of a tougher than expected price controls for Northern Ireland Electricity from industry regulator Offer, sent shares in the distributor tumbling. They lost more than 13 per cent of their value after they fell 53 to 353p, by far the day's worst performer in the FT-SE Mid 250 index. Volume was 1.2m.

Several brokers turned negative on the stock and quickly moved to downgrade profit expectations. SBC Warburg, previously a bull of the stock, has now taken it off the buy list in the wake of yesterday's news but believes, "there is scope for recovery in the shares if the company does not go to the Monopolies and Mergers Commission with scope for reasonable dividend growth and scope for a share buy-back in the next year."

A share buy-back was also one of the day's main features among water stocks yesterday. Turnover in Thames Water jumped to 84m after the company confirmed that it had bought around 10 per cent of its shares at 543p a ahare. There was little interest in the stock following the buy-back programme and the shares closed 5 lower at 540p.

Speculation that Severn Trent would be next in line to carry out a share buy-back or announce a special dividend boosted the stock, as the chairman made a confident statement at the group's annual meeting. The shares jumped 20 to 571p.

In the rest of the sector, National Grid eased 3¼ lighter at 176p, on fears of a tough pricing regime from the regulator. Offer is due to make an announcement on the pricing formula for the National Grid within the next few weeks.

Bus and rail operator Stagecoach continued to scale new heights following news of a £476m bid taking tha group into rail rolling stock leasing.

Shares in the group have been hitting all-time highs almost daily since the potential takeover of Swedbus, a Swedish bus company, was announced last week. But yesterday they went into ovardrive.

Shrugging off worries about over-stretched management, tbe stock advanced 60½ to 542½p. It has now just about doubled since the start of tbe year.

There is a £111m rights issue at 410p to help fund the deal, which the City quickly warmed to. One analyst said the deal was "amazingly attractive. It enhances earnings per share by 15 per cent this year and 18 per cent next".

Stagecoach was also optimistic about rail passenger traffic. It claims to have spotted signs of a reversal to the long-term downtrend. This helped Railtrack, the running track group floated in May at 200p, climb 7¼ to 237p in 7.2m traded.

Media group Pearson, which owns the Financial Times, came under pressure as word that Monday's figures will be worse than expected did the rounds at mid-session. The talk suggested the company will at best report break-even interim figures against earlier expectations of profits of between £26m and £36m.

At the day's worst, the shares were down 12 at 584p, before the strong market trend helped them recover to close just 5 off at 601p, a two-day setback of 23.

The best performer in the Footsie was BAT, which reported figures that cheered the market. The shares jumped 22 to 504p.

There was selective buying among property leaders as talk of improving fundamentals in the sector gained currency.

Last week's monthly report from the Investment Property Databank pointed to capital appeciation across all areas, and some brokers have begun to pinpoint value among individual stocks.

Panmure Gordon has been recommending a number of shares to clients. The broker claims the sector to be back into "buying territory" with a number of groups "well leveraged to take advantage of the recovery". Sentiment has also gained from a recent presentation by British Land.

Land Securities jumped 10 to 651p and British Land, which presented plans for the redevelopment of Plantation House, its big City site, to analysts on Tuesday, added 5 to 435p. Hammerson put on 9 to 379p.

Thorn EMI rose by 51 to 1753p ahead of its planned demerger, with speculation that a buyer may emerge for its EMI Music business.

There has been intense speculation that the planned demerger later this month will make EMI Music ripe for acquisition and a favoured candidate is MCA, the entertainment business owned by Seagram.

One analyst said that recent asset disposals by MCA and its stated interest in expanding its music operations made EMI Music an obvious target. He said that EMI Music was a particularly attractive business for a company looking to acquire intellectual copyright.

Greene King rose 26 to 610p with the rights issue resolved with the placing of the rump of the new stock. NatWest Securities made an "add" recommendation.

Whitbread fell 5 to 661p with the market digesting its acquisition of Pelican. Analysts said there was a feeling that Whitbread had paid too much for the restaurant chain. Kleinwort Benson moved from a "buy" to a "hold" on the shares.

There was some "bottom fishing" in Vaux, which rose 8 to 279p. There was also a revival of regular takeover speculation.

Allied Domecq rose 10 to 448p ahead of the long-expected sale of its 50 per cent stake in Carlsberg-Tetley to Bass, which is expected to be announced this week.

Shares in Kleinwort European Privatisation Investment Trust (Kepit) hardened 2 to 91p after TR European Growth Trust (TREG) made a 93.86p a share (28.16p for the warrants) offer for Kepit. News of the bid boosted Mercury European Privatisation Investment Trust. The shares hardened 2¾ to 99½p.

FINANCIAL TIMES EQUITY INDICES

	Jul 31	Jul 30	Jul 29	Jul 26	Jul 25	Yr ago	High	Low
Ordinary Share	2718.8	2694.5	2703.9	2698.8	2704.9	2618.0	2885.2	2666.8
Ord. div. yield	4.18	4.22	4.21	4.21	4.20	4.08	4.22	3.78
P/E ratio net	16.03	15.88	15.93	15.91	15.86	15.83	17.28	15.80
P/E ratio nil	15.87	15.72	15.78	15.75	15.80	15.53	17.03	15.71

Ordinary Share index since compilation: high 2885.2 19/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2702.9	2702.6	2700.1	2700.9	2705.6	2707.9	2705.2	2703.9	2718.7	2719.0	2699.0

	Jul 31	Jul 30	Jul 29	Jul 26	Jul 25	Yr ago
SEAQ bargains	27,803	24,043	27,336	24,241	24,518	27,476
Equity turnover (£m)†	-	1664.9	1053.1	2233.0	2051.7	2110.8
Equity bargains†	-	30,236	29,796	26,855	28,673	38,872
Shares traded (mil)†	-	585.8	404.7	844.4	774.5	676.9

†Excluding intra-market business and overseas turnover.

	Jul 31	Jul 30	Jul 29	Jul 26	Jul 25	Yr ago	*High	Low
FT-SE AIM	1048.40	1048.40	1054.00	1049.90	1048.10	-	1140.40	995.70

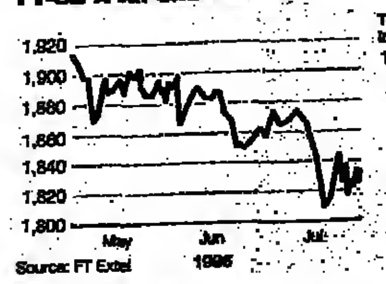
*For 1996.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	616	Total Highs	31	Total contracts	25,180
Total Falls	414	Total Lows	64	Calls	15,290
Same	1,840			Puts	9,870

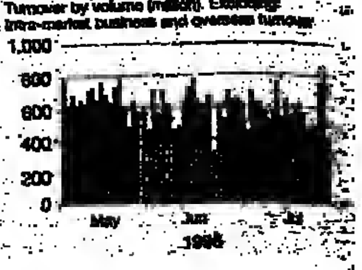
Jul 31 *Data based on Equity shares listed on the London Share Service.

FT-SE-A All-Share Index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover.



Indices and ratios

FT-SE 100	3703.2	+34.7	FT Ordinary index	2718.8	+24.3
FT-SE Mid 250	4230.6	+11.5	FT-SE-A Non Fins p/e	18.82	18.60
FT-SE-A 350	1856.1	+14.7	FT-SE100 Fut Jul	3706.0	+39.0
FT-SE-A All-Share	1835.44	+13.33	10 yr Gilt yield	7.90	7.89
FT-SE-A All-Share yield	3.95	3.98	Long gilt/equity yld ratio:	2.09	2.08

Best performing sectors		Worst performing sectors	
1 Tobacco	+4.7	1 Distributors	-1.2
2 Household Goods	+2.2	2 Building Matls & Merchs	-0.7
3 Insurance	+1.9	3 Building & Cons	-0.6
4 Retailers : Food	+1.5	4 Electronic & Elec	-0.5
5 Oil Exploration	+1.5	5 Electricity	-0.1

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	3681.0	3705.0	+38.0	3712.0	3671.0	11196	59884
Dec	3700.0	3725.0	+38.0	3700.0	3705.0	100	1701
Mar	3705.0	3727.0	+38.0	3705.0	3705.0	100	100

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

Sep		4230.0	+8.0			0	3491

■ FT-SE 100 INDEX OPTION (LIFFE) (*3701) £10 per full index point: [illegible]

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point: [illegible]

LONDON RECENT ISSUES: EQUITIES

[illegible]

FT GOLD MINES INDEX

[illegible]

FT - SE Actuaries Share Indices — The UK Series

[illegible]

■ FT-SE Actuaries All-Share

[illegible]

■ Hourly movements

[illegible]

■ FT-SE Actuaries 350 Industry baskets

[illegible]

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TRADING VOLUME

■ Major Stocks Yesterday

[illegible]

صكدا من الاهل

هكذا من الاجل

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jul 31 / Sch)

BELGIUM/LUXEMBOURG (Jul 31 / Frs.)

CZECH REP (Jul 31 / Koruna)

DENMARK (Jul 31 / Kr)

FINLAND (Jul 31 / Mka)

FRANCE (Jul 31 / Frs.)

GERMANY (Jul 31 / Dm.)

GREECE (Jul 31 / Drachma)

ITALY (Jul 31 / Lira)

NETHERLANDS (Jul 31 / Fls.)

NORWAY (Jul 31 / Kroner)

POLAND (Jul 31 / Zloty)

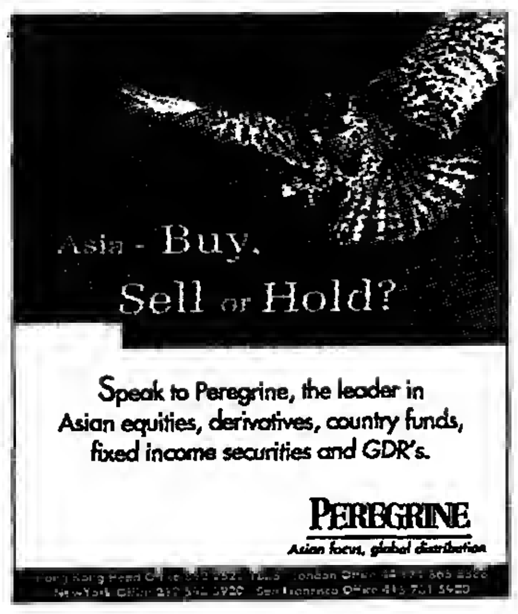
PORTUGAL (Jul 31 / Escudo)

SPAIN (Jul 31 / Pts.)

SWEDEN (Jul 31 / Kronor)

SWITZERLAND (Jul 31 / Frs.)

TURKEY (Jul 31 / TL Lira)



PACIFIC

JAPAN (Jul 31 / Yen)

HONG KONG (Jul 31 / H.K.$)

INDONESIA (Jul 31 / Rupiah)

MALAYSIA (Jul 31 / MYR)

NEW ZEALAND (Jul 31 / NZ $)

SINGAPORE (Jul 31 / S$)

AUSTRALIA (Jul 31 / Aus$)

SOUTH KOREA (Jul 31 / Won)

TAIWAN (Jul 30 / TW $)

THAILAND (Jul 31 / Baht)

AFRICA

SOUTH AFRICA (Jul 31 / Rand)

NORTH AMERICA

CANADA

TORONTO (Jul 31 / Can $)
4 pm close

MONTREAL (Jul 31 / Can $)
4 pm close

INDICES

	Jul 31	Jul 30	Jul 29	1996 High		1996 Low	
Argentina							
General(29/12/77)	(u)	16331.57	15805.34	18861.96	20/5	15601.32	29/7
Australia							
All Ordinaries(1/1/80)	2160.3	2130.8	2135.7	2328.80	26/4	2086.18	17/7
All Mining(1/1/80)	958.0	946.0	952.4	1118.40	8/5	934.90	16/7
Austria							
Credit Aktien(30/12/84)	356.03	353.33	355.14	384.89	31/5	349.85	22/7
Traded Index(2/1/91)	1028.70	1019.40	1027.10	1142.51	29/5	975.27	2/1
Belgium							
BEL20(1/1/91)	1666.87	1662.01	1664.13	1773.28	28/5	1574.90	2/1
Brazil							
Bovespa(29/12/83)	(u)	61433.0	60094.0	66622.00	12/7	43601.00	2/1
Canada							
Metals Minls◆(1975)	(u)	5002.72	4995.42	5524.80	8/5	4867.47	15/1
Composite◆(1975)	(u)	4901.20	4896.25	5346.40	31/5	4730.70	15/1
Portfolio$$(4/1/83)	(u)	2422.54	2416.80	2585.66	27/5	2327.38	12/1
Chile							
IGPA Gen♥(31/12/80)	(u)	5522.11	5531.96	5804.33	8/1	5215.28	8/4
Denmark							
CopenhagenSE(3/1/83)	406.12	405.84	405.87	418.10	4/7	386.48	2/1
Finland							
HEX General(28/12/90)	1972.11	1963.80	1977.29	2070.42	31/5	1661.67	10/1
France							
SBF 250(31/12/90)	1365.47	1352.96	1360.50	1467.56	6/6	1250.18	2/1
CAC 40(31/12/87)	1985.89	1968.40	1981.10	2148.79	30/4	1887.35	11/1
Germany							
FAZ Aktien(31/12/58)	872.29	867.48	874.42	911.74	5/7	818.86	2/1
Commerzbank(1/12/53)	2525.9	2512.6	2530.9	2627.80	5/7	2376.10	2/1
DAX(30/12/87)	2473.35	2457.48	2477.81	2583.49	5/7	2284.86	2/1
Greece							
Athens SE(31/12/80)	878.80	884.51	887.37	1017.86	4/3	876.87	24/7
Hong Kong							
Hang Seng(31/7/64)	10881.42	10585.88	10851.80	11594.99	16/2	10204.87	2/1
India							
BSE Sens.(1978)	3538.84	3448.33	(c)	4069.28	18/6	2828.88	25/1
Indonesia							
Jakarta Comp.(10/8/82)	536.02	533.48	540.73	638.21	24/4	512.48	2/1
Ireland							
ISEQ Overall(4/1/88)	2448.95	2437.55	2432.72	2585.19	18/6	2224.81	2/1
Italy							
Banca Comm Ital(1972)	590.75	591.90	598.73	674.19	20/5	572.21	27/3
MIB General(2/1/86)	1017.0	1009.0	1015.0	1142.00	20/5	970.00	27/3
Japan							
Nikkei 225(16/5/49)	20892.83	20880.33	20887.54	22666.80	26/6	19734.70	13/3
Nikkei 300(1/10/82)	294.48	295.81	295.65	319.70	26/6	284.46	11/3
Topix(4/1/68)	1584.43	1581.28	1598.08	1722.13	26/6	1524.12	13/3
2nd Section(4/1/68)	2126.14	2141.51	2160.83	2251.48	2/7	1982.78	14/3
Malaysia							
KLSE Comp.(4/4/86)	1068.23	1053.28	(c)	1188.54	30/4	993.16	2/1
Mexico							
IPC(Nov 1978)	(u)	2566.89	2568.81	3362.86	22/5	2736.38	8/3
Netherland							
CBS TtlRtnGen(End 83)	612.8	604.7	604.4	632.80	12/6	530.50	2/1
CBS All Shr(End 83)	363.5	358.7	358.5	387.70	12/6	325.70	2/1
New Zealand							
Cap. 40(1/7/86)	2153.02	0136.93†	2142.78	2203.09	4/1	2025.14	7/6
Norway							
Oslo SE(Ind)(2/1/83)	1354.14	1364.80	1374.07	1466.71	12/6	1260.88	30/1
Philippines							
Manila Comp(2/1/85)	3026.34	2986.51	3023.43	3374.40	5/7	2678.97	2/1
Portugal							
BVL 30(4/1/93)	1911.15	1917.79†	1928.58	1989.29	3/7	1802.81	2/1
Singapore							
SES All-S'pore(2/4/75)	530.10	522.15	526.23	610.37	5/2	522.15	30/7
South Africa							
JSE Gold(28/9/78)	(u)	1749.8♥	1766.5	2200.45	29/5	1546.40	2/1
JSE Ind.(28/9/78)	(u)	7858.8♥	7872.1	8739.30	25/1	7729.20	20/5
South Korea							
KoreaCompEx**(4/1/80)	821.70	807.28	805.15	986.84	7/5	805.15	29/7
Spain							
Madrid SE(30/12/85)	350.60	347.92	347.63	375.25	1/7	323.76	11/1
Sweden							
AffarsvaldsGen(1/2/37)	1899.8	1881.8	1882.2	2019.00	6/6	1768.60	22/1
Switzerland							
Swiss Bk Ind(31/12/58)	1661.56	1671.46	1665.22	1811.55	11/7	1516.19	17/1
SBC General(1/4/87)	1184.26	1190.21	1190.29	1284.96	11/7	1114.47	26/1
Taiwan							
WeightedPr.**(30/6/66)	(c)	6198.97	6128.05	6560.41	29/6	4690.22	8/2
Thailand							
Bangkok SET(30/4/75)	1064.04	(c)	1097.02	1415.84	6/2	1064.84	31/7
Turkey							
Istanbul Cmp.(Jan 1986)	63365.5	63649.3	63821.4	73631.36	8/7	36779.30	2/1
WORLD							
MS Capital Intl(1/1/70)	751.0*	744.9	743.5	783.20	1/7	725.80	15/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	1596.83	1592.93	1600.0	1708.76	4/7	1504.40	11/1
Euro Top-100(26/6/90)	1374.81	1364.19	1365.30	1458.28	26/4	1280.01	11/1
HSBC JC Drgn(31/12/88)	(u)	358.08	357.34	383.16	19/4	344.19	2/1
ING Brngs Emrg(7/1/92)	(u)	152.48	154.17	166.91	4/7	147.35	2/1

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
CAC-40 (200 x Index)							
Jul	1974.0	1987.1	+20.1	1993.0	1968.5	21,482	10,865
Aug	2979.0	1972.0	-	2007.0	1073.0	25,096	20,013
DAX							
Sep	2479.0	2503.5	+24.0	2504.0	2474.5	2,005	13,249
Dec	2498.5	2521.0	+23.0	2521.0	2498.5	100	5,229
OMX							
Jul	1451.00	1468.00	+20.00	1468.00	1446.50	2,005	13,249
Aug	1458.00	1458.00	+11.50	1458.00	1458.00	100	2,584
SOFFEX							
Aug	3499.9	3478.0	-33.0	3514.0	3474.0	4,577	30,312
Oct	-	3491.0	-30.0	-	-	45	261

** Sat Jul 27: Taiwan Weighted Price 9173.98; Korea Comp Ex 804.58. Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL 30, SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals 600; DAX – all 1,000; JSE Gold – 255.7; JSE 25 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. $$ Montreal. ◆ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours Index: Jul 31 – 2491.50 +24.86.

† Correction. * Calculated at 15.00 GMT. ❀ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ◆ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

US INDICES

Dow Jones	Jul 30	Jul 29	Jul 26	1996 High	1996 Low	Since compilation High	Since compilation Low
Industrials	5481.93	5434.59	5473.06	5778.00 (22/5)	5032.94 (10/1)	5778.00 (22/5/96)	41.22 (8/7/32)
Home Bonds	101.52	101.25	101.54	108.09 (14/2)	100.99 (15/7)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	1985.99	1967.44	1982.28	2298.20 (22/5)	1882.71 (18/1)	2298.28 (22/5/96)	12.32 (8/7/32)
Utilities	204.86	205.42	207.31	234.00 (12/2)	204.86 (30/7)	256.46 (21/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 5503.75 (5467.47) Low 5403.82 (5414.81) (Theoretical◆)
Day's high 5481.93 (5473.06) Low 5421.04 (5434.59) (Actual◆)

Standard and Poors	Jul 30	Jul 29	Jul 26	1996 High	1996 Low	Since compilation High	Since compilation Low
Composite‡	635.26	630.91	635.90	678.51 (24/5)	598.48 (10/1)	678.51 (24/5/96)	4.40 (1/6/32)
Industrials♥	751.58	745.56	752.17	807.88 (5/6)	702.07 (15/1)	807.88 (5/6/96)	3.62 (21/6/32)
Financial	65.46	64.86	65.20	68.58 (5/3)	58.87 (10/1)	68.58 (5/3/96)	8.64 (1/10/74)
NYSE Comp.	340.35	338.54	340.87	363.74 (24/5)	321.41 (10/1)	363.74 (24/5/96)	4.48 (25/4/42)
Amex Mkt Val	536.78	536.12	539.16	614.89 (22/5)	525.80 (16/7)	614.89 (22/5/96)	29.31 (9/12/72)
NASDAQ Cmp	1071.90	1068.43	1079.44	1249.14 (5/6)	988.57 (15/1)	1249.14 (5/6/96)	54.87 (31/10/72)

RATIOS

	Jul 26	Jul 19	Jul 12	Year ago
Dow Jones Ind. Div. Yield	2.28	2.30	2.26	2.42
	Jul 17	Jul 10	Jul 3	Year ago
S & P Ind. Div. yield	2.32	2.03	na	2.07
S & P Ind. P/E ratio	18.59	21.97	na	18.68

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Healthsource	5,241,600	11¼	-1¾
Compaq	4,182,200	54⅝	+3½
Reebok Ind	4,010,000	35⅞	+⅝
IBM	3,982,800	107⅝	+2⅝
Amer T & T	3,506,500	50⅝	-⅛
Ford Motor	3,274,300	32½	+1
Micron Tech	3,210,300	19	+¼
Digital Equip	2,894,100	36⅝	+¾
CalFed Bancrp	2,775,000	22⅞	+⅛
Hewlett Pckrd	2,743,600	43½	+1⅛

TRADING ACTIVITY

● Volume (million)

	Jul 30	Jul 29	Jul 26
New York SE	330.873	282.981	349.842
Amex	18.453	15.598	15.425
NASDAQ	429.579	426.944	465.185
NYSE			
Issues Traded	3,162	3,149	3,134
Rises	1,387	898	1,546
Falls	994	1,447	784
Unchanged	781	804	784
New Highs	20	20	23
New Lows	74	65	30

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
S&P 500							
Sep	637.70	636.60	-0.90	637.60	636.60	62,829	178,775
Dec	642.80	642.90	-0.55	642.70	642.60	465	9,292

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Nikkei 225							
Sep	20890.0	20680.0	-220.0	20910.0	20650.0	19,404	232,265
Dec	20890.0	20890.0	-	20890.0	20650.0	71	12,507

Open interest figures for previous day.

TOKYO - MOST ACTIVE STOCKS: Wednesday, July 31, 1996

	Stocks Traded	Closing Prices	Change on day
Tostem Viva	6.0m	825	+2
Nippon Stl Corp	4.7m	355	-3
Daido Stl Sheet	4.4m	1270	-30
Kobe Steel	4.3m	290	-3
Kanematsu Corp	4.1m	628	+24
Toshiba Corp	3.6m	703	-12
Kawasaki Stl	3.4m	379	-2
Takara Shuzo	2.9m	944	-41
Nagasakiya	2.9m	750	+11
Sumitomo Mtl Ind	2.7m	321	-1

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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4 pm close July 31

NEW YORK STOCK EXCHANGE PRICES

1996 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23⅛	17¾	AAR x	0.48	2.5	19	118	19½	18¾	19⅛	+⅛
45⅞	36⅛	AMP	1.00	2.6	16	4184	38⅝	37⅞	38⅝	+⅞
97½	68	AMR			15	7830	79⅛	76¾	76⅞	+2
50¼	37⅞	ASA	1.20	4.4	28	1249	40¾	38⅞	40¾	+1⅞
45¾	38⅛	AbbotL	0.96	2.2	19	5600	44½	43¾	44	-¼
17¼	12¼	Abitibi Pr	0.40	3.1	0	1012	12⅞	12½	12¾	+¼
40⅞	21	ABM Ind	0.70	2.0	16	73	35⅛	35⅛	35⅛	-⅛
15⅝	13⅞	Acptncsin			47	63	17⅞	17¾	17⅞	+⅛
50⅞	37¾	ACE Ltd	0.58	1.3	10	2270	44	43¾	44	
10	9⅛	ACM Gvt In	0.90	0.1	6	152	9⅞	9¾	9⅞	+⅛
1⅞	6⅝	ACM GvOpp	0.57	0.1		129	7⅛	6⅞	1	
7¼	6	ACM Gvt Sp	0.60	10.2		141	9⅝	6½	6½	
9⅛	0¼	ACM Gvt Se	0.90	10.2		137	8¾	8¾	8¾	-⅛
9½	6⅞	ACM Man	0.90	9.0		318	9⅛	9	6⅛	
13⅞	5⅛	Acme Elect			40	38	7½	7¼	7⅜	
33¾	27¾	Acordia	0.80	2.0	10	15	25⅞	30¾	20¾	-⅛
21⅛	12	Acuson			66	1539	13¼	12¾	13¼	+¼
19½	17⅞	Adams Expr	0.40	2.8	0	317	18¼	16⅛	18¼	+⅛
21¼	18¼	AdvMic			7	3244	12⅜	11⅞	12⅛	+⅛
11½	8½	Advest Grp	0.16	1.6	7	23	9⅞	9⅝	9⅞	+⅛
28⅛	9⅛	Advo Inc	0.19	1.1	488	317	9½	9¼	9⅜	
50⅞	41⅛	Aegon	1.19	2.6	14	32	45⅞	45⅜	45⅜	+1¼
6¾	3½	Aerfix			3	398	5⅜	5⅜	5⅜	+¼
78¾	55⅛	Aetna	2.76	4.4	16	15967	62⅜	61⅛	62⅝	-¼
33	28¼	Aflac	0.40	1.2	13	1346	32½	31⅝	32	

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NYSE PRICES

4 pm close July 31

Continued from previous page

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NASDAQ NATIONAL MARKET

4 pm close July 31

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
ACC Corp	0.12	416	1716	54¾	53¼	53⅞	-1⅛
Acclaim E		6	1017	6	7⅝	7⅝	-¼
Acxiom Cp		00	3124	u37¾	36½	37⅛	+⅝
Adaptech		25	19250	42¼	39½	41½	+1⅜
ADC Tele		87	2327	42¾	41	42¼	+½
Addington		16	536	21½	20½	21	-¾
AdiaADR	0.16	26	10	29⅞	29⅞	29⅞	
Adobe Sys	0.20	20	8290	31¾	29¼	30⅛	
Adv Logic		11	230	7⅞	7½	7⅞	+⅛
Adv Polym		11	530	7⅛	6⅞	7	
AdvTchLab		97	1347	34¼	32¼	32¼	-¾
Advanta A	0.36	13	1196	49	47¼	47½	-¾
AgnicoEa	0.10	42	84	16¼	14¼	16¼	+1
AirExpr	0.24	16	715	28¼	25¼	28¼	+⅞
Akzo ADR	1.75	16	396	58⅛	55⅝	58⅛	+⅞
AlexBld x	0.08	21	616	24¼	23¼	23¾	-¼
Allen Org	0.80	12	2	87¾	37¾	87¾	
Alian Ph		13	1210	15⅛	14⅛	14½	-½
AlldCapll	1.40	16	193	18¼	17½	18¼	

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AMEX PRICES

4 pm close July 31

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AMERICA

Further boost for Dow on interest rate hopes

Wall Street

Hopes that the Federal Reserve would not raise interest rates later this month helped US shares to move higher for a second consecutive session, *writes Lisa Bransten in New York.*

At 1 pm, the Dow Jones Industrial Average was 37.73 stronger at 5,529.66, and the Standard & Poor's 500 rose 3.23 at 638.49. The American Stock Exchange composite was up 0.73 at 537.51. NYSE volume was 217m shares.

The technology-rich Nasdaq composite also made up some of the ground lost in recent weeks as it climbed 8.00 to 1,079.95. The Pacific Stock Exchange technology index added 1 per cent.

Both the stock and bond markets were supported by e drop in the Chicago Association of Purchasing Management's index of midwestern business activity in July. That date, which is considered a good indicator of the national purchasing managers' index, due out today, sent bond prices higher, and the yield on the benchmark 30-year Treasury bond below 7 per cent.

Attention remained focused on Friday's figures on July wages and employment.

In individual shares, American Re jumped $4½ or 9 per cent et $55⅞ on reports that Kohlberg Kravis & Roberts, the leveraged buyout firm that owns 64 per cent, was negotiating with at least two possible buyers.

AT & T rose $1⅝ at $52½ on reports that the Federal Communicatione Commission planned to order a decrease in the fees that wireless telephone companies paid to have calls completed on local networks. Thet move was expected to create savings for companies with large wireless businesses.

Calgene added $1⅛ or 32 per cent to $6⅝ on news that Monsanto would boost its stake in the company to 54.6 per cent by buying another 6.25m shares et $8 each. Shares of Monsanto added $⅝ at $31⅝.

Canada

Toronto tagged along with the higher Wall Street, supported by strengthening golds, but held in check by worries over whether the US Federal Reserve would raise short term interest rates this month.

The TSE-300 composite index was 19.25 higher by noon at 4,920.40 but in weak volume of just 26m shares.

High technology stocks rebounded from the lows registered over the last week and a half. Newbridge Networks rose C$1.75 to C$59.60 while Gandalf Technologies picked np 60 cents to C$8.35 in spite of posting e first quarter loss of 21 cents a share, after breaking even a year ago.

Horsham picked up 20 cents to C$17.55 after posting higher second quarter profits of 11 cents e share.

SOUTH AFRICA

Johannesburg finisbed a letbargic day mixed, with industrials weaker, unnerved by a falling rand and the weak opening on Wall Street. Golds, however, ended firm on a better bullion price and e rand which fell to its worst level against the dollar since May 10. The overall index slipped 26.0 to 6,606.9, industrials fell 55.9 to 7,800.2 and golds added 22.0 at 1,772.0 points. De Beers slipped 300 cents to R136.50 and Anglos was off 250 cents to R248.75.

Mexico City breaks 1% higher

Mexico City came alive, breaking through strong technical resistance as the market was propelled higher by the performance of Wall Street. The IPC index of 37 leading stocks was 30.31, or 1 per cent, higher by midsession at 3,017.20.

Telecom A1 shares led the gainers, up 1.20 pesos, or 6.1 per cent, to 21 pesos. Telecom, which was recently spun off from the mammoth holding company, Grupo Carso, has holdings in Telmex and other multimedia ventures.

BUENOS AIRES was flat as the market digested the 6.4 per cent rally of the previous two sessions. By mid-session, the Merval index was 0.54 weaker at 536.36.

The upbeat mood earlier in the week, came in response to the calm inauguration as economy minister of the former central bank chief, Mr Roque Fernández, in succession to the embattled Mr Domingo Cavallo.

EUROPE

Good month for Frankfurt's financials

Bourses celebrated another good morning on Wall Street, and encouraging news for bond markets helped FRANKFURT round off a strong month in financials.

Allianz, Bayernhypo and Bayernverein rose DM64 to DM2,724, 88 pfg to DM42.75 and 97 pfg to DM50.17 respectively as the Chicago PMI figures lifted bund futures. The Dax index closed 24.66 higher et an Ibis-indicated 2,491.50.

Financials, noted Mr Eckhard Frahm at Merck Finck in Düsseldorf, occupied the top six places for Dax 30 constituent performance in July. Bayernverien was np 16.7 per cent on the month after Deutsche Bank's notice of a strategic shareholding in the Bavarian bank triggered *phantasie* over restructuring in the sector.

Turnover rose from DM4.9bn to DM6.8bn. The day's big loser was outside the Dax 30, Jungheinrich revealing e DM7.2m loss for the first half of 1996 because of restructuring costs and falling demand. The fork-lift maker's pref shares dropped DM12, or 5.8 per cent, to DM195; in London, Dillon, Read said that it was reducing its earnings estimates, that its old forecast had already been below consensus, and that it rated the shares as a "sell".

PARIS cracked the 2,000 level for e while, with the CAC-40 index peaking et 2,001.98 before it closed 37.40, or 1.4 per cent, better et 1,995.89. Turnover was heavy et FFr6.1bn and here, cyclicals were the top performers of the day.

Peugeot rose FFr23, or 4 per cent, to FFr604, and Renault by FFr5.30, or 4.8 per cent, to FFr116.60. Mr Michael Woodcock at Williams de Broë said that the two carmakers had been heavily sold down this month, the former after broker downgrades from big US bouses.

There was contrast elsewhere. Lafarge, the building materials gronp which had fallen to e low valuation on fundamentals, recovered FFr9.80, or 3.4 per cent, to FFr299.50; bnt Saint-Gobain, the glassmaker, fell FFr10 to FFr627 after its British rival, Pilkington, said that European trading conditions might have an adverse effect on its first half results.

AMSTERDAM was a mixed bag. Philips took its rerating further, with a Fl 1.90 rise to Fl 54.80 giving it a three day gain of 8.5 per cent, after a number of broker upgrades and with investors positive about the imminent arrival of the electronics group's new chairman, Mr Cor Boonstra.

The AEX index put on 9.23 at 535.73. DSM, which rose initially by Fl 2.60 on first half profits sharply lower, but broadly in line with expectations, ended Fl 2.90 down at Fl 151 as analysts divided over second half prospects.

Meanwhile, a 64 per cent drop in first half profits et another cyclical, the paper, packaging and office products group, KNP BT, was rewarded with a Fl 1.10 rise to Fl 37.50. KNP said there were signals that the slump in the paper market was over.

MILAN was enlivened by a flurry of activity in Fiat which was briefly suspended, limit up, in response to a large buy order. The shares rocketed 7.3 per cent higher to L4,995 in immediata response to the transaction, thought to have involved about 500,000 shares to cover a derivatives operation. But they eubsequently settled back to close L141 higher on the day at L4,795.

The broader market saw a technical bounce after a strong performance in debt futures. The Comit index rose 8.15 to 599.75 whila the real-time Mibtel index picked up from a low of 9,459 to finish 158 higher et 9,459.

Among the best performing blue chips, BCI rose L135 to L2,891, Mediobanca L299 to L8,324 and Eni L203 to L6,830. Parmalat overcame recent falls, which followed news of a capital increase, with e L121 jump to L1,900.

Mediaset remained under pressure, falling another L22 to L6,860, well below its placement price of L7,000, on fears of lost revenue as e result of government reforms.

ZURICH was e casualty of the weak dollar during its half day session ahead of today's holiday and the SMI index fell 23.8 to 3,494.4.

Zurich Insurance made a muted response to news that Standard & Poor's, the US ratings agency, had cut its claims paying ability rating to AA plus from AAA. The shares dropped to e low of SFr309 before recovering to stand just SFr1 weaker at SFr313. Swiss Re, down SFr15 et SFr1,189, was the sector's biggest loser.

Adia picked up SFr9 at SFr284 on a positive UBS report and growing expectations over future sales growth after its merger with Ecco.

Surveillance added SFr55 to SFr2,785, with the rise said to have been exaggerated by thin turnover.

HELSINKI was helped ahead by some month end buying in otherwise cautious trade and the Hex index registered a rise of 8.32 to 1,972.11.

Neste, the oil and energy group, gave up another FM2.50 to FM93 in further response to last week's news of a crude oil trading loss and this week's announcement of disappointing second quarter profits at its 50 per cent owned Borealis unit.

Amer, the eporting goods manufacturer, added FM3 et e seven week high of FM83, but analysts attributed the rise to window dressing.

Hackman jumped FM5 to FM120 as the consumer goods group attempted to talk up its new water purifier which, it said, could develop into a billion markka business in coming years.

OSLO stayed under pressure, the only significant volume coming from the oil and industrial complex, Norsk Hydro, still weighed upon by a large seller in the market. The total index closed 5.57 off et 807.91, Hydro eccounting for more than 30 per cent of the day's turnover as it closed NKr5 lower at NKr147, down 10 per cent in the past two weeks.

Written and edited by William Cochrane and Michael Morgan

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

Jul 31 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1594.43	1595.29	1595.90	1597.02	1597.10	1597.93	1597.71	1598.93
FT-SE Eurotrack 200	1647.25	1648.42	1649.59	1650.85	1651.67	1650.29	1650.38	1652.26

	Jul 30	Jul 29	Jul 26	Jul 25	Jul 24
FT-SE Eurotrack 100	1592.93	1600.00	1596.81	1598.08	1589.46
FT-SE Eurotrack 200	1648.98	1654.71	1652.53	1650.66	1643.51

Base value 1000 (26/10/90). High/day: 100 - 1599.23; 200 - 1654.15 Low/day: 100 - 1593.80 200 - 1647.19. † Partial.

ASIA PACIFIC

Sydney 2.3% higher on Australian rate cut

A 50 *basis points interest rate* cnt by the Reserve Bank of Australia gave SYDNEY its biggest one day rise since July 1994. *Also lifted by the Dow,* the All Ordinaries index closed 49.5, or 2.3 per cent, higher at 2,180.3.

Turnover was A$772m. BHP and the major banks received the most buying attention, the market leader climbing 43 cents to A$17.03, NAB by 16 cents to A$11.74, and Westpac by 19 cents to A$5.81.

WELLINGTON followed its neighbour, with New Zealand long bonds rallying on the Australian rate cut news and the NZSE-40 capital index closing 16.08 higher et 2,153.02.

Tokyo

Fears of oversupply due to capital raising by banks took the Nikkei average to its third consecutive decline, *writes Emiko Terazono in Tokyo.*

The 225 index lost 187.50 to 20,692.83, treding between 20,653.24 and 20,784.87. Reports of capital raising plans at the Industrial Bank of Jepan and Sakura Bank depressed confidence, while the yen's slight rise against the dollar also weighed on share prices.

Volume totalled 285m shares against 266m. Most domestic investors remained on the sidelines ahead of Friday's release of labour statistics in the US.

The Topix index of all first section stocks lost 6.82 at 1,584.43, and the Nikkei 300 index 1.13 et 294.45. Declines led advances by 703 to 305 with 193 unchanged.

In London, the ISE/Nikkei 50 index fell 1.71 to 1404.92.

In banks, IBJ's Y225.7bn rights issue left it Y90 lower at Y2,310; Sakura Bank, which is also expected to dip into the market for capital, lost Y40 to Y1,030 and other banks were weak in sympathy.

Speculative issues plunged. Kanemetsu-NNK retreated Y300 to Y3,490. Japan Tobacco fell Y3,000 to a 1996 low of Y810,000 on selling by individual investors. Traders said investors who had bought stocks on margin liquidated their JT holdings in order to meet their margin calls.

Paper and pulp issues were higher. New Oji Paper inched up Y3 to Y933 and Tokai Pulp added Y20 to Y1,070.

High-technology stocks were mixed with Hitachi up Y5 to Y973 and Toshiba losing Y12 to Y703.

In Osaka, the OSE average fell 84.33 to 21,865.17 in volume of 28.1m shares.

Roundup

After a fall of nearly 10 per cent since the budget 10 days ago, BOMBAY rose on short covering, rumours that the government might ease its tax proposals, and buying by both foreign funds and domestic institutions. The BSE 30-share index recovered 88.61, or 2.6 per cent to 3,536.94.

Talk was that the government might halve a 12.9 per cent minimum tax proposal which was widely seen to have triggered the market collapse.

SEOUL was lifted by news of e savings scheme to bolster the sagging market, and the composite stock index closed 14.48, or 1.8 per cent, higher at 821.70.

The government's senior policy-makers and the ruling party agreed on a plan to offer a savings scheme with tax benefits to workers willing to put their money in the stock market; the Finance Ministry estimated that about Won2,000bn ($2.45bn) would flow into the market as a result, although the plan would need to secure parliament's approval before implementation in October.

HONG KONG went bargain-hunting after initial weakness and the Hang Seng index closed 95.56 higher at 10,681.42 after an intrasession low of 10,574.20.

SINGAPORE saw overseas funds in similar, bargain-hunting mode, and tha Straits Times Industrial index rose 28.61 to 2,111.76 due to strong buying in index-linked shares.

MANILA put on a percentage point on eelective buying after a 10-day bearish spell, the composite index closing 29.83 higher et 3028.34, but brokers said that the rise might not be sustained.

JAKARTA, meanwhile, bounced after two bad days following weekend riots, but brokers said that sentiment was still poor as the JKSE composite index gained 2.55 at 536.08.

BANGKOK dropped a further 3 per cent, with foreign investors selling across the board on their lack of confidence in the Thai government's ability to solve current economic woes. The SET index ended 32.98 lower at 1,084.04.

● Taiwan was shut down by Typhoon Herb.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

		Dollar terms			Local currency terms		
Market	No. of stocks	July 26 1996	% Change over week	% Change on Dec '95	July 26 1996	% Change over week	% Change on Dec '95
Latin America	(249)	508.51	-4.2	+7.8			
Argentina	(31)	777.14	-9.1	-3.0	478,176.65	-9.1	-3.1
Brazil	(68)	354.99	-5.8	+18.3	1,339.96	-5.4	+20.7
Chile	(43)	735.96	-1.3	-1.7	1,210.07	-1.3	-0.8
Colombia[1]	(15)	591.94	+0.5	-1.0	1,111.33	+0.4	+5.9
Mexico	(66)	492.92	-3.4	+6.8	1,613.98	-3.8	+7.2
Peru[2]	(21)	215.24	-2.1	+9.1	321.34	-2.0	+15.7
Venezuela[3]	(5)	477.48	-1.3	+42.8	5,178.23	-1.1	+98.4
Asia	(632)	247.37	-4.7	+8.5			
China[4]	(24)	58.45	-0.5	+8.0	61.32	-0.5	+7.9
South Korea[5]	(145)	102.14	-4.3	-18.9	109.32	-4.3	-14.9
Philippines	(35)	300.86	-5.8	+16.9	380.67	-5.6	+15.7
Taiwan, China[6]	(83)	137.96	-2.7	+22.3	142.62	-2.7	+23.4
India[7]	(76)	94.79	-5.6	+18.0	119.85	-5.6	+19.4
Indonesia[8]	(44)	113.42	-3.9	+3.4	143.78	-3.8	+5.5
Malaysia	(123)	304.16	-4.7	+12.2	279.85	-4.6	+10.1
Pakistan[9]	(25)	261.53	-5.4	+3.7	404.54	-5.2	+7.3
Sri Lanka[10]	(5)	93.00	-1.1	-10.6	111.82	-1.6	-7.5
Thailand	(72)	307.01	-7.0	-18.3	308.54	-7.0	-17.9
Euro/Mid East	(238)	136.49	-3.0	-3.6			
Czech Rep	(5)	72.61	+0.6	+21.5	64.46	-0.2	+21.2
Greece	(47)	243.44	-1.3	+0.8	369.66	-1.0	+0.7
Hungary[11]	(8)	155.33	-5.3	+57.6	279.76	-5.0	+72.9
Jordan	(8)	167.56	+0.2	-9.3	250.37	+0.2	-9.2
Poland[12]	(22)	690.84	+1.4	+62.0	1,176.46	+1.3	+77.7
Portugal	(26)	131.13	-0.1	+13.3	137.38	-0.5	+15.6
South Africa[13]	(63)	221.02	-4.3	-14.3	203.51	-2.8	+4.8
Turkey[14]	(54)	142.02	-0.5	+35.9	5,582.71	-0.4	+86.8
Zimbabwe[15]	(5)	368.44	-0.5	+34.1	541.29	+0.3	+43.6
Composite	(1119)	287.57	-4.1	+4.3			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: [illegible]

Karachi dropped to a new low for the year yesterday, 21 per cent below its mid-February high for 1996, and 15 per cent down from mid-June when the government unveiled its budget proposals, writes Michael Morgan. A series of negative factors have contributed to the weakness, not least the budget itself, regarded by the business community as a tough one, which sought to raise Rs41bn ($1.2bn) in new taxes.

One direct consequence of the budget is a strike by transport operators, angered by new levies, which has disrupted supplies of essential commodities. The country is also suffering from political unrest, with 14 opposition parties coming together to demand fresh elections under a nautral administration. This marks the first time that the government of Ms Benazir Bhutto, whose term runs until 1998, has faced concerted action by the opposition. At the same time, violence, centred on Lahore, has included bomb attacks and gangland shootings which have claimed a number of lives.

Mr Muddassar Malik at BMA Capital Management in Karachi says that foreign demand for Pakistani stocks, centred on about 10 large cap, liquid issues, was at its strongest early in the year. He believes that foreign funds are sitting on holdings, unwilling to sell at currently depressed levels. On the domestic side, he notes that the National Investment Trust, which accounts for around 10 per cent of the daily trade on the Karachi exchange, has just declared a dividend of Rs1.50 per unit, sharply down from last year's Rs2.35. With foreign funds choosing to stay out of the market and NIT unlikely to enter on the buy side, an imminent rebound seems a forlorn hope, he says.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FT-SE International and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY JULY 30 1996 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY JULY 29 1996 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (80)	191.30	-0.9	182.23	130.50	146.94	162.39	-0.2	4.44	193.00	183.64	132.04	148.58	162.96	212.18	177.98	190.51
Austria (24)	178.37	-0.5	169.91	121.66	137.00	136.94	-0.7	2.05	179.28	170.57	122.64	138.00	137.92	196.82	168.11	196.31
Belgium (27)	211.19	0.1	201.17	144.06	162.21	158.64	-0.1	4.20	210.97	200.74	144.33	162.41	158.75	215.61	188.06	200.90
Brazil (26)	174.99	2.8	166.69	119.37	134.41	325.51	2.8	1.86	170.26	162.00	116.48	131.07	316.55	189.70	123.97	138.75
Canada (119)	154.95	0.1	147.60	105.70	119.01	154.11	0.2	2.33	154.79	147.29	105.90	119.17	153.84	165.12	134.14	147.06
Denmark (30)	308.52	0.1	293.88	210.46	236.97	239.49	0.0	1.82	308.06	293.15	210.77	237.16	238.51	309.34	276.89	294.73
Finland (23)	191.76	-0.7	182.65	130.80	147.28	181.38	-0.7	2.75	193.13	183.76	132.12	148.68	182.60	278.11	171.73	268.22
France (95)	189.30	0.4	180.31	129.13	145.39	148.85	0.2	3.24	188.53	179.39	128.98	145.14	148.53	198.39	167.70	190.17
Germany (58)	170.45	-0.6	162.36	116.27	130.92	130.92	-0.8	1.86	171.45	163.14	117.30	131.98	131.99	174.38	155.66	167.74
Hong Kong (59)	407.55	-0.7	388.21	278.01	313.03	404.62	-0.7	3.54	410.24	390.35	280.66	315.82	407.27	451.19	348.81	370.66
Indonesia (27)	185.23	-1.4	176.44	126.35	142.27	266.86	-1.6	1.73	187.85	178.84	128.58	144.69	272.11	–	–	–
Ireland (16)	276.77	0.2	263.64	188.80	212.58	241.28	0.3	3.56	276.32	262.92	189.04	212.72	240.60	290.82	235.88	244.99
Italy (58)	74.52	0.1	70.98	50.83	57.23	84.94	0.1	2.53	74.45	70.84	50.94	57.32	84.85	84.53	67.22	79.51
Japan (481)	148.14	0.1	141.11	101.05	113.79	101.05	-0.2	0.79	148.05	140.87	101.28	113.97	101.28	164.68	137.75	152.70
Malaysia (107)	512.47	-3.3	488.18	349.58	393.62	492.30	-3.4	1.82	530.04	504.34	362.62	408.05	508.63	585.09	425.77	544.39
Mexico (19)	1136.12	1.3	1082.22	775.00	872.63	9406.40	0.8	1.42	1121.58	1067.20	767.31	863.44	9338.25	1325.65	791.98	1161.81
Netherland (19)	286.53	0.3	272.94	195.46	220.08	217.06	0.1	3.32	285.69	271.84	195.45	219.94	216.77	299.89	245.76	263.45
New Zealand (15)	83.60	-0.5	79.64	56.98	64.14	83.85	-0.4	4.25	83.90	79.83	57.40	64.59	84.12	84.71	75.94	82.94
Norway (35)	247.96	-0.7	236.23	169.17	190.48	214.60	-0.7	2.11	249.63	237.54	170.78	192.18	216.07	258.94	222.24	241.78
Philippines (22)	192.60	-1.1	183.47	131.38	147.93	261.53	-1.1	0.66	194.82	185.38	133.29	149.98	264.38	–	–	–
Singapore (44)	376.95	-1.1	359.07	257.14	289.53	245.66	-1.1	1.65	380.98	362.47	260.61	293.26	248.49	485.21	355.81	391.85
South Africa (44)	334.94	-0.8	319.05	228.48	257.26	326.98	-0.6	2.27	337.82	321.44	231.11	260.07	328.76	437.76	334.94	343.79
Spain (37)	172.28	0.2	164.11	117.52	132.32	164.39	0.1	3.56	171.91	163.58	117.61	132.35	164.18	183.86	148.15	156.48
Sweden (48)	339.77	-0.2	323.65	231.77	260.97	331.80	0.2	2.57	340.30	323.80	232.81	261.98	331.20	360.77	280.13	294.60
Switzerland (37)	238.75	-0.5	227.42	162.86	183.38	178.05	-0.8	1.66	239.91	228.28	164.13	184.70	179.58	252.34	191.24	203.91
Thailand (45)	143.30	0.1	136.50	97.75	110.06	140.67	0.0	2.37	143.09	136.16	97.90	110.16	140.67	193.95	143.09	173.52
United Kingdom (199)	231.61	-0.4	220.63	157.99	177.90	220.63	-0.2	4.26	232.45	221.18	159.03	178.95	221.18	237.48	216.52	225.05
USA (625)	258.56	0.7	246.29	176.37	198.59	258.56	0.7	2.20	256.82	244.37	175.70	197.71	256.82	276.47	226.74	229.84
Americas (791)	236.39	0.7	225.17	161.25	181.56	198.60	0.7	2.26	234.81	223.42	160.64	180.76	197.47	252.43	208.19	210.46
Europe (706)	206.42	-0.9	196.63	140.81	158.55	177.22	-0.2	3.19	206.82	196.79	141.49	159.22	177.66	213.30	189.33	198.47
Nordic (136)	296.23	-0.2	282.16	202.07	227.53	252.86	-0.1	2.44	296.94	282.54	203.14	228.59	253.02	308.61	261.13	284.95
Pacific Basin (880)	159.75	-0.2	152.17	108.97	122.70	111.30	-0.4	1.23	160.07	152.31	109.51	123.23	111.76	177.01	148.86	163.09
Euro-Pacific (1586)	179.06	-0.2	170.59	122.16	137.55	138.25	-0.3	2.17	179.43	170.73	122.76	138.14	138.70	190.57	168.51	177.73
North America (744)	252.21	0.7	240.25	172.04	193.72	251.62	0.7	2.29	250.59	238.44	171.44	192.91	249.89	268.62	221.79	224.53
Europe Ex. UK (507)	187.79	-0.1	178.88	128.10	144.24	152.01	-0.2	2.61	187.97	178.86	128.60	144.71	152.39	194.88	169.65	179.45
Pacific Ex. Japan (399)	268.97	-1.2	256.21	183.47	206.59	232.65	-1.1	3.16	272.38	259.18	186.35	209.69	238.29	296.88	243.59	262.85
World Ex. US (1796)	180.18	-0.2	171.63	122.91	138.39	140.64	-0.3	2.17	180.47	171.72	123.47	138.94	141.04	191.56	167.38	178.44
World Ex. UK (2222)	201.66	0.2	192.09	137.56	154.89	169.95	0.1	2.01	201.17	191.41	137.62	154.87	169.68	213.05	185.81	180.86
World Ex. Japan (1940)	235.26	0.2	224.10	160.48	180.70	221.48	0.2	2.64	234.73	223.35	160.59	180.71	221.00	247.55	212.62	217.43
The World Index (2421)	204.29	0.2	194.60	139.35	156.91	174.57	0.1	2.22	203.90	194.02	139.50	156.97	174.36	214.95	188.49	193.99

Latest prices were unavailable for this edition. Market closed 30/7/96: Thailand.